Austria	Sch 18	Indonesia	Rp 2700	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr.38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rin 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 8.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,646 — Tuesday June 11 1985 — D 8523 B

French opposition lift veil on radical future, Page 3

World news — Business summary

Swedish employers' chief quits over arms

Swedish Employers' Federation chairman Claes-Ulrik Winberg resigned while police investigated reports of sales of explosives to Iran by AB Bofors at a time when he was its mangaging director.

The reports of arms sales have whipped up a political storm in Sweden, which bans the export of weapons to countries at war.

Police are also investigating alleged exports of Bofors ground-to-air missiles to Middle Eastern countries in 1980. The reports have revived a long debate over weapons exports, with peace groups demanding a further tightening of Sweden's already stringent arms export laws.

Israel withdraws

The Israeli army withdrew its last units from Lebanon but left behind military advisers and plainclothes agents to watch over the southern border. The three-year occupation cost Israel 654 dead and divided the nation.

Walesa attacks trial

Lech Walesa, leader of Poland's banned Solidarity labour movement, told a court in Gdansk trying three senior fellow-unionists that they were innocent of charges of illegal activities. Walesa condemned the current trial for a "brutality unseen since the days of Stalin." Page 2

Spanish port clash

Three people were injured in the northern Spanish port of Gijon when police fired rubber bullets and smoke canisters to disperse Spanish shipyard workers protesting against planned job cuts.

Marcinkus cleared

Archbishop Paul Marcinkus, chairman of the Vatican's bank, has been cleared of alleged involvement in illegalities related to a 1972 loan to the late Carlo Pesenti, the Catholic financier who was a large shareholder in the collapsed Banco Ambrosiano. Page 2

Beirut kidnapping

Professor Thomas Sutherland, dean of the Beirut American University, was kidnapped by gunmen after arriving back from a three week visit to the U.S.

Punjab gunbattle

Four Pakistanis were killed in three gunbattles with Indian security forces inside India's northern state of Punjab.

Von Bulow not guilty

Claus von Bulow, Danish-born socialite, was found not guilty at his retrial in Providence, Rhode Island, of trying to kill his millionaire wife with insulin injections.

Cyprus federation

Turkish Cypriot leader Rauf Denktash, elected in a landslide victory as the first president of the breakaway Northern Cyprus state, said he was willing to form a federation with Greek Cypriots.

Angola plea to UN

Angola is to complain to the United Nations Security Council about the recent South African attack on the Gulf oil installation at Cabinda.

Swiss reject ban

Swiss voters turned down proposals that would ban all abortions in the country.

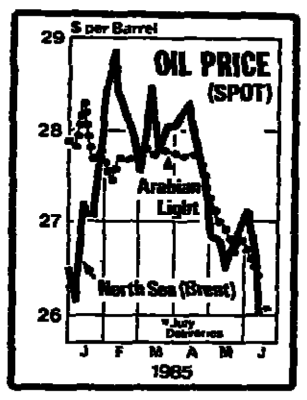
Cabinet polish

Britain's Drycleaning Information Bureau has sent all members of the Cabinet a voucher to cover the cost of cleaning a suit following remarks on television by Mrs Margaret Thatcher, the UK Prime Minister, about the need for a well-groomed government to improve the country's reputation abroad.

Hanson to raise record £519m

HANSON TRUST, the acquisitive British industrial holding group, is raising £519m ($654m) from shareholders in the largest rights issue ever by a UK company wholly in the private sector. Page 16; Background, Page 20

JEAN GODEAUX, Bank for International Settlements president, said that maintaining the momentum of recovery was the most important task of economic policy-makers. BIS annual report again stressed the need for an orderly reduction in the U.S. budget deficit. Page 16; Details, Page 4



OIL PRICES continued to fall amid growing belief that Opec will be forced to cut prices at its meeting in Geneva on June 30. Brent, the main North Sea crude, traded as low as $25.45 for September delivery. Page 30

WALL STREET: At the close Dow Jones industrial average was up 2.02 at 1,318.44. Page 38

LONDON equities drifted lower. The FT Ordinary share index eased 10.3 to 991.3. Gilts were unsettled in light trading. Page 38

TOKYO share prices lost ground for the first time in five days. The Nikkei-Dow market average lost 33.25 to 12,683.34. Page 38

DOLLAR improved in London, rising to DM 3.102 (DM 3.08), SwFr 2.612 (SwFr 2.5975), FFr 9.4525 (FFr 9.39 and Y250.45 (Y249.5). On Bank of England figures, the dollar's exchange rate index rose from 145.6 to 146.3. Page 31

STERLING lost 1.05 cents against the dollar in London to finish at $1.2575. It was also lower at DM 3.9 (DM 3.91), SwFr 3.285 (SwFr 3.2875), FFr 11.885 (FFr 11.895) and Y315.0 (Y316.5). The pound's exchange rate index fell to 79.2 from 79.3. Page 31

GOLD fell $2.25 on the London bullion market to close at $312.25. It was also lower in Zurich at $312.35. In New York the Comex August settlement was $317.20. Page 30

UNITED AIRLINES of the U.S. is pulling back almost $1bn from its wealthy pension fund to spend on corporate expansion in a move aimed at dissuading hostile take-over bidders.

CONRAD BLACK, chairman of the Ravelston Corporation, has paid £10m ($12.6m) for a 14 per cent stake in the Daily Telegraph Group, the British newspaper. Page 16

GULF CANADA plans to dispose of the bulk of the Arctic drilling fleet owned by its subsidiary BeauDril following inquiries from several potential buyers. Page 18

The international edition of the Financial Times is published from today with Sections II and III integrated to cover Companies and Markets. Special surveys will normally be printed as a third section.

Today's issue also introduces some changes in our statistical coverage of U.S. equity markets, reflecting trading patterns on Wall Street. The New York Stock Exchange listings will continue to be published complete; the Over-the-Counter national list is being restricted to the top 1,000 listings, and we will carry a somewhat reduced closing list from the American Stock Exchange. Details, page 38; share listings, pages 35-37.

Craxi wins key referendum on wage indexation

BY JAMES BUXTON IN ROME

ITALIAN voters have rejected by a clear majority a Communist proposal on wage indexation. The referendum result, announced yesterday, is the second big defeat for the Communists in a month.

The result is an important victory for Sig Bettino Craxi, the Socialist Prime Minister, who last week committed himself to resigning if the vote went against him.

The referendum proposition – on whether four index points worth L27,200 ($14) cut by law last year should be restored to the *scala mobile* indexation system – was defeated by a margin of 8.6 per cent. If allowed, it would have boosted inflation by about 1 per cent.

On the basis of almost 99 per cent of the results, some 54.3 per cent voted "No" to the proposition, and 45.7 per cent voted "Yes." The turnout was 78 per cent, about 11 per cent less than that of last month's local elections.

As a result of the vote, it should now become more difficult for Sig Craxi's enemies within the ruling five-party coalition to dislodge him from the prime ministership, which he has held for nearly two years.

The result, however, is also a success for the Government in general, since it means the defeat of the unspoken veto that the Communist Party has always exercised over economic measures affecting the working class.

For the Communist Party, it will cause yet more dismay after last month's sharp losses in nationwide local elections, and raise more doubts about the future of Sig Alessandro Natta, the party secretary. The party had hoped the referendum would bring it a victory to offset last month's disappointment.

Last night, however, the party was publicly taking comfort from the fact that the number of those voting in favour of the referendum proposition was still substantially greater than the party's usual share of the vote, which is about 30 per cent.

In last month's regional elections, the Communists won 30.2 per cent of the vote. Of the five coalition parties, the Christian Democrats won 35 per cent, the Socialists 13.3 per cent, the Republicans 4 per cent, Social Democrats 3.6 per cent and Liberals 2.2 per cent. The neo-fascist MSI won 6.5 per cent.

Sig Craxi said last night that: "A tormented chapter has been closed just as we had hoped and if I may say so expected – that is with the defeat of those who long and tenaciousliy sought and prepared this pointless battle."

The issue at stake was a temporary cut of 4 points from the index carried out by the Craxi government in February last year. The move was bitterly opposed by the Communists, and received only tepid support from Sig Craxi's main coalition partner, the Christian Democrats. But in the end it became law.

The Communist Party then started the campaign for a referendum on the issue, collecting the necessary signatures to a petition and convincing the constitutional court that the issue was a valid one for a referendum.

The vote on Sunday and yesterday settles the question of last year's cut but does not resolve the far bigger issue of the future of wage indexation. Yesterday, before the polls closed, Confindustria, the employers' association, gave formal notice that it would cease paying wage increases altogether under the *scala mobile* from next February.

Continued on Page 16
Stock market reaction, Page 38

Lonrho threatens to sue BA over Laker venture

BY DUNCAN CAMPBELL-SMITH IN LONDON

THE LEGAL battle over the business affairs of Sir Freddie Laker extended yesterday in two new directions, threatening British Airways with yet further complications in its struggle to extricate itself from the U.S. courts and proceed with its planned privatisation.

BA, with 11 co-defendants, has already spent several months pursuing an out-off-court settlement to a $1.05bn anti-trust suit brought against them in Washington by Mr Christopher Morris, the liquidator of Laker Airways, who alleges that they conspired together to force Sir Freddie's airline out of business in 1982.

In the High Court in London before Mr Justice Leggatt, the Laker liquidator yesterday won clearance to sue Midland Bank in the U.S. courts as a party to the alleged conspiracy.

And a few hours later in the City of London, BA's lawyers were confronted with a fresh and apparently unexpected claim for substantial damages from the 50 per cent partner in two joint ventures set up by Sir Freddie in the months after Laker Airways' collapse – Lonrho, the international trading conglomerate.

Sir Edward du Cann, Lonrho's chairman, told Mr Bill Park of Linklaters and Paines, BA's solicitors, that his group was considering a claim for triple damages worth $327m. "We have an enforceable claim," said Mr "Tiny" Rowland, Lonrho's chief executive, "and we intend to go ahead."

Mr Morris and Mr Robert Beckman, his U.S. counsel in the Washington anti-trust action, first served notice on Midland Bank of their intention to sue within months of Laker Airways's collapse.

But the bank obtained an injunction in November 1982 restraining them from any action in the U.S. against it. The injunction was renewed in February 1983 and Midland had asked the High Court for a further extension yesterday.

Instead, the judge rejected their case and discharged the injunction. Referring at several points to a judgment in the House of Lords last summer which gave Mr Morris a green light for his action against BA itself, Mr Justice Leggatt concluded that to block the liquidator would accord the clearing bank "a means of protection which puts a strain upon comity even with well-informed foreign courts."

Sir Freddie and Mr Beckmann

Continued on Page 16

Gatt ministers agree to move towards new round of talks

BY DAVID BROWN IN STOCKHOLM

PREPARATIONS for international trade talks next year are likely to be underway before the end of September, following a diplomatic breakthrough at an informal meeting of ministers here yesterday.

Developing country members of the General Agreement on Tariffs and Trade (Gatt) conceded that a negotiating agenda could be discussed, provided there was no prior commitment to negotiate.

The result of the 20-nation meeting was described as a breakthrough on procedural issues by Mr Willy de Clercq, EEC Commissioner for External Affairs.

The richer nations, led by the U.S., have been pressing hard for a new round of trade talks under Gatt auspices to start early next year.

Their difficulty has been to obtain sufficient consensus among Third World nations even to allow the necessary preparations to be authorised.

Ministers at the Stockholm conference agreed to ask the Gatt to set up a high-level meeting of member nations' trade officials to begin the difficult process of finding an acceptable agenda.

This followed a surprise departure by the Brazilians, leading opponents of a new round. Sr Olavo Setubal, Brazil's External Relations Minister, said non-binding discussions on liberalising trade in goods only should begin this September. That position was supported by other developing countries.

Sr Setubal suggested there should be parallel negotiations on liberalising trade in services, a key demand of industrialised countries, including the U.S., but that they should be taken outside the forum of Gatt.

Mr Vishwanath P. Singh, India's Minister of Finance and Commerce, said: "There are a great many problems to be solved but a certain procedure has been agreed upon and this is a step forward."

The ministers are to submit detailed position papers before the next regular meeting of the Gatt council in mid-July.

The council is then expected to schedule a senior government officials meeting possibly as early as the end of September.

Mr Singh reiterated India's scepticism towards negotiations on trade in services. "Services can mean anything from banking to hairdressing. Those who are interested in including such issues should be more specific. Perhaps some response would then be possible."

He also repeated the developing countries' demands that industrialised countries live up to their commitments in earlier Gatt agreements, saying "this could lay a foundation for a new round of talks."

Calls for negotiation on international monetary reforms were reiterated by Mme Edith Cresson, France's Trade Minister, and Mr de Clercq, but both said such talks could be taken up in a separate forum.

German GNP falls by 1%

By Rupert Cornwell in Bonn

WEST GERMANY yesterday reported a real fall in gross national product of 1 per cent in the first quarter compared with the final three months of 1984 – a development that might prompt fresh calls for more determined government action to stimulate the economy.

Announcing the disappointing seasonally adjusted figures, the Economics Ministry in Bonn ascribed the "temporary" drop to the severe weather earlier this year and claimed that the second quarter would produce a clear resumption of growth.

It added that, despite the bitter winter, which particularly affected the already hard-pressed construction industry, the first-quarter 1985 none the less stood 0.4 per cent above the corresponding period last year.

The ruling centre-right coalition is still sticking to its prediction that growth for the full year will reach the forecast 2.5 per cent, compared with the 2.6 per cent expansion achieved in 1984.

Yesterday's news can only strengthen the pressure from critics of the Government – joined last month in cautious vein by the Organisation for Economic Co-operation and Development (OECD) in its half-yearly Economic Outlook – for more resolute action to boost growth and make inroads into unemployment, which stands at 2.19m, or 8.8 per cent of the workforce.

Failure to bring down the jobless rate is generally held to have been a key factor in the crushing electoral defeat suffered in West Germany's most industrialised state of North-Rhine Westphalia last month by Chancellor Helmut Kohl's Christian Democrat party.

That, in turn, has provoked bitter attacks from within his centre-right coalition, both because of alleged leadership shortcomings on the part of Herr Kohl and because he is unable to grasp the implications of the economic situation for their parties at the next federal election in February 1987.

The critics argue, moreover, that West Germany's strong external position – both the current and trade accounts are likely to show record surpluses in 1985, while inflation remains around 2.5 per cent – give it the scope to take action at home.

The picture of a booming export sector and sluggish home market is broadly borne out by the data from the Economics Ministry.

Continued on Page 16
Bonn takes firm line on export concessions, Page 6

Court rules for U.S. regional bank mergers

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK

THE U.S. Supreme Court yesterday upheld laws passed in Massachusetts and Connecticut that permit interstate banking mergers within New England but forbid mergers involving banks from outside the region.

The ruling, which sent the prices of some regional bank shares sharply higher yesterday, might change the face of U.S. banking. By legalising regional banking pacts, the Supreme Court is likely to unleash a wave of mergers between second-tier banks that might eventually come to challenge the traditional supremacy of the big New York money-centre banks.

In the immediate wake of the long awaited Supreme Court decision, a number of U.S. regional banks announced that they would now complete mergers that had been held up by the challenge to the regional pacts brought by Citicorp, the biggest bank in the U.S.

Last year Citicorp, which is regarded as the most aggressive of the U.S. money-centre banks in its demands for nationwide banking, went to court in a bid to block three interstate mergers between New England banks. It alleged that the recently changed local laws permiting interstate banking in New England were unconstitutional because they restrained trade and involved discrimination by one state against another.

Citicorp argued that the New England banking pact blocked its own geographic expansion plans.

However, the Supreme Court found yesterday in aunanimous decision that state laws did not violate the constitution and noted that Congress had specifically authorised states to approve interstate pacts, despite 50-year-old Federal legislation that generally prohibits such mergers.

The decision throws the thorny issue of nationwide banking back to Congress, which has been unable to make up its mind on the subject despite several attempts over the last couple of years.

Shortly after the Supreme Court ruling, the Bank of Boston said it would proceed with two acquisitions which were held up pending the decision. Separately, Sun Banks of Florida, which is in the process of merging with Trust Company of Georgia in a $1.2bn deal, attributed a sharp rise in its share price to the decision, Sun Banks shares jumped $3.50 on the news to $38.75.

Details, Page 17

U.S. spells out arms limitation decision

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday told Mr Mikhail Gorbachev, the Soviet leader, of his decision on qualified U.S. compliance with the Salt 2 strategic arms limitation treaty after it expires at the end of the year. Explanations of Mr Reagan's decision were also sent to Congress and Washington's Nato allies, the White House said.

U.S. officials said that the decision, due to be announced later yesterday, was that the U.S. would generally continue to observe missile limits under the unratified 1979 treaty, but would feel free to respond in kind to Soviet violations.

The first such action expected to involve the withdrawal from active service of a 16-missile Poseidon submarine to keep within the Salt limits when a new 24-missile Trident submarine starts sea trials in September.

The U.S. would not, however, immediately dismantle the Poseidon, leaving itself the option of putting the vessel back to sea if justified by future Soviet behaviour. Under agreed procedures, the U.S. would have six months before the submarine's missile launching systems would have to be dest[illegible]d.

U.S. of[illegible]s said [illegible] Washington will a[illegible]nce that it plans to go ahea[illegible]e development of a new [illegible]rhead, land-based interco[illegible] ballistic missile (ICBM), th[illegible] Midgetman, in addition to the [illegible] warhead MX.

While the treaty only allows the development of one new land-based ICBM, Washington has repeatedly charged Moscow with testing two – the SSX-24 and the SSX-25. The U.S. public commitment to two missiles as well would be considered a "proportionate response" to a Soviet violation, U.S. officials say.

Mr Reagan's decision is widely seen in Washington as a defeat for hard-line conservatives, led by Mr Caspar Weinberger, the Defence Secretary, who argued strongly that the treaty be renounced altogether.

CONTENTS

EUROPEAN NEWS

Mitterrand appeal over international farm trade

BY ANDREW GOWERS IN PARIS

THE FRENCH President, M Francois Mitterrand, yesterday appealed for restraint in international farm trade, which faces severe disruption as a result of the worsening dispute over export subsidies between the U.S. and the European Community.

He told the opening session of the UN World Food Council's annual ministerial meeting here that international agricultural markets should be organised. "In the highly vulnerable sector of foodcrops I do not believe that unbridled freedom of trade is the best way."

He said the instability accompanying such a free-for-all would be particularly damaging for developing countries. "How can an emerging agriculture *in developing countries* be expected to compete with older, more efficient, more highly mechanised farming?" he asked.

His remarks were clearly intended to underline French disquiet at the recently announced $2bn U.S. farm export subsidy programme, and in particular its proposed cut-price offer of 1m tonnes of wheat to Algeria.

France has long insisted that world farm trade should be organised along agreed lines, but it is an idea vehemently opposed by the U.S., which claims that the EEC's unfair export subsidies have allowed it to rob Washington of agricultural markets.

M Mitterrand said France would move towards a new round of multi-lateral trade negotiations in the General Agreement on Tariffs and Trade "in due course." *It was French* reluctance to fix a date for a new round which caused acrimony at last month's summit of leading industrial nations in Bonn.

Officials of the World Food Council, the UN body responsible for monitoring food policies, share his concern at the prospect of an all-out trade war. Although this is likely to lead to lower world prices for products such as grain, they believe it will tempt African governments to postpone vital agricultural reforms further.

Yesterday's WFC session heard an impassioned and critical speech on the African famine from Mr Eugene Whelan, the Council's Canadian president. He said that if the Council's recommendations on farm policy and long-term aid to Third World agriculture had been adopted, the famine would not have reached nearly its present scale.

Fabius starts visit to E Germany

By Leslie Colitt in Berlin

M LAURENT Fabius, the French premier, yesterday became the first government leader of the three Western powers responsible for Berlin and Germany to pay an official visit to East Germany.

Paris has set the pace for the three Western Allies in its relations with East Germany. The French foreign minister was the first of the three allies to visit East Berlin, and France's relations with East Germany have been stepped up to coincide with improved ties between East and West Germany.

The French however jealously guard their role as protectors of West Berlin along with Britain and the U.S.

M Fabius, who was welcomed at Schönefeld airport by Herr Erich Honecker, East Germany's leader, will, however, concentrate more on trade than on politics during his visit to East Berlin.

Although France is East Germany's third largest Western trading partner after West Germany and Austria, Franco-East German trade last year was merely DM 1.3bn ($426m) compared with DM 15.5bn between East and West Germany.

Paris wants to reduce East Germany's considerable trade surplus and M Fabius is accompanied by Mme Edith Cresson, the French trade minister.

In an interview before the visit, Herr Honecker praised the French Eureka high-technology project, noting that he could foresee co-operation between Eureka and Interkosmos, Comecon's space research organisation.

The East German leader called President Reagan's strategic defence initiative a "danger for all humanity."

He warned that any participation by Bonn in the SDI research programme would have "serious repercussions" for the political climate in Europe.

HOWE TRIES TO SELL PACKAGE TO HIS FELLOW MINISTERS

Doubts surround EEC reform

BY QUENTIN PEEL IN BRUSSELS

THE STUNNING scenery of Italy's mountain-ringed Lake Maggiore, and a bot trip to the site of the ill-fated Stresa conference of 1935, when Britain's Ramsay Macdonald, and Pierre Laval of France, sought to restrain the ambitions of Benito Mussolini, failedt his weekend greatly to concentrate the minds of the 10 foreign ministers of the European Community.

With less than three weeks before the next EEC summit meeting in Milan, which is billed as a major debate and launching-pad for reform of the Community, the outcome is still shrouded in doubt.

On the one hand, a hard core *of the most federalist* Europeans from Italy, Belgium, Luxembourg and the Netherlands are set on the idea of calling a fully-fledged intergovernmental conference in the wake of Milan, to redraft the Treaty of Rome for a new streamlined and expanded Community—and ultimate European Union.

At the other end of the spectrum, Denmark and Freece positively object to any move which might expand the area of authority and influence of the Community, while Britain remains a brooding sceptic.

Somewhere in the middle, France refuses to show its hand, West Germany preaches European Union and practises the opposite, and Ireland is sitting on the fence, wanting more integration without losing the power of national veto, and *fearful of any prospect of bringing* discussions on security into the EEC arena.

In this confusion, Sir Geoffrey Howe, the British Foreign Secretary, is clearly seeking to steel a march on his colleagues by suggesting a package of reform plans which could please *them all, without committing* anyone to the long and laborious process of full-scale Treaty amendment.

They include more co-ordination of national foreign policies, more majority voting on Community decisions, and speedier removal of all the remaining barriers to a real common market.

The key difference between those who support a full-scale conference for change and those who see no need to amend the Treaty of Rome, centres on whether to preserve the unwritten right of national veto, enshrined in the ill-named Luxembourg compromise. Everyone admits the need to speed up decision-making, but the question is how.

The other difference concerns the future role of the European Parliament, and how to extend its democratic influence on Community activities.

The British package, as outlined by Sir Geoffrey to his colleagues at Stresa and in a series of bilateral meetings over recent weeks, contains several measures to increase majority voting without abandoning the Luxembourg compromise. They include:

- an instruction by heads of government to use majority voting wherever it is provided for by the Treaty;
- agreement by the EEC leaders to abstain rather than block votes, as the Luxembourg compromise allows;
- insistence that any member state invoking the compromise should justify it in the full Foreign Affairs Council, rather than simply allow any departmental minister to baulk discussion by pleading a "vital *national interest.*"
- Agreement that where the summit decided on a particular policy goal—such as removal of remaining market barriers—all decisions leading to that goal should be taken by majority voting, not unanimity.

M Jacques Delors, the European Commission president, believes that any effective change in decision-making practices still needs proper amendment of the Treaty of Rome, by removing the insistence on unanimity in the key Articles 99 (tax *harmonisation*), 100 (removal of internal market barriers) and 101 (elimination of national laws affecting competition).

The British insist that no member state (and certainly not the British Treasury) will agree to majority voting on Article 99 and the amendment of article 100 would not be necessary if the British package were approved by heads of government. Article 101 already provides for a two-stage process, first of unanimity, followed by majority voting.

Critics of the British position point to an inconsistency between a desire to speed up the process towards a genuine common market (by 1990, whereas the *Commission* is suggesting 1992), resistance to Commission plans for greater tax harmonisation, and changes in voting procedures lacking the *full force of treaty amendments*.

The British ideas on expanding the process of consultation on foreign policies are much closer to the rest of the member states, although disliked by the Commission.

But the area where the *British plans go least far to* meet the European Union lobby is on the role of the European Parliament. A commitment to more regular and earlier consultation on important issues (such as participation in Star Wars, perhaps) falls far short of MEPs' wishes to have more legislative authority, and powers over revenues as well as *expenditure*.

M Delors reminded the foreign ministers at Stresa that the idea of an inter-governmental conference was "not simply a political fact, but also an emotional fact." But he also admitted that it could easily be counter-productive "if it lasts three to four years, and becomes simply an excuse for doing nothing."

That is the fear the British package is designed to exploit, by offering the alternative of more modest reforms, sooner.

The coming days will see intensive lobbying among the Ten, with the focus particularly on the positions of France and West Germany. President Mitterrand is supposed to make his own position clear on June 13, when he meets Sig Bettino Craxi, the Italian Premier and summit chairman, in Florence. *Herr Helmut Kohl, the West* German Chancellor, will be tarnished by whether his Agriculture Minister uses the Luxembourg compromise this week *to block a decrease* in cereal prices. If he does, then West German backing for a move towards European Union will be undermined.

Food price dispute may end up at summit

BY IVO DAWNAY IN BRUSSELS

FARM MINISTERS of the EEC today resume talks on Community prices for cereal crops and rapeseed amid mounting speculation that the issue may have to go to the heads of government summit in Milan at the end of the month for final resolution.

Although most member states are anxious to avoid such an outcome, hopes of achieving a deal in the face of West Germany's *continued opposition* to a price cut are at their lowest ebb. Sig Filippo Pandolfi, the Italian minister presiding over the Farm Council, has already *warned his colleagues* that failure to reach agreement this week will mean another meeting in Luxembourg next Monday.

However, little or nothing appears to have changed since the ministers last discussed the issue in May. Furthermore, the conclusion of a package of prices for other farm products has removed a great deal of the urgency behind the talks. Some now believe that Herr Ignaz Kiechle, the West German minister, will seek to postpone a decision further, eventually forcing his colleagues to agree *to roll over last year's prices* thus, in effect, establishing a price freeze.

But the political cost of such a move could be expensive to Bonn. Indications yesterday suggested that several member-states may attempt to force the West Germans to a vote, thereby challenging them to invoke fully their right of veto — a right that West Germany publicly eschews in favour of majority voting.

Most observers believe West Germany will invoke the full veto if forced. But one school of thought argues that, as the margin is so small between the 1.8 per cent price cut proposed in the final Commission compromise and the maximum 0.9 per cent cut acceptable to Herr Kiechle, there could be a case for over-ruling any claim that this is a vital national interest justifying a veto.

This too, however, looks un*likely to furnish a solution*, as any attempt to ignore a veto would be opposed by the UK along with the Danes and Greeks.

The most radical suggestion so far is that the Commission may now unilaterally impose a price cut from the beginning of the new cereals marketing year in August on the grounds that the failure to take a decision leaves it free to regulate the market as it chooses.

Marcinkus is cleared of loan allegation

By Alan Friedman in Milan

CHAIRMAN OF the Instituto per le Opere di Religione (IOR), the Vatican Bank, Archbishop Paul Marcinkus has been cleared of involvement in illegalities related to a 1972 loan for L50bn (£20m) to the late Sig Carlo Pesenti, the financier who was a major shareholder in the collapsed Banco Ambrosiano.

The Milan magistrate investigating Mgr Marcinkus, two of his Vatican bank colleagues, and six executives at the Pesenti family's Italmobiliare holding group, has cleared them all of allegations of fraud, illegal currency export and improper share dealings.

However, he will carry on *with his investigation of Sig* Giampiero Pesenti, son of Sig Carlo, and five colleagues at Italmobiliare on the grounds that they may have been involved in failure to disclose relevant financial information under the Italian civil code.

Paris court jails financier over losses at Boussac

BY DAVID MARSH IN PARIS

A SCANDAL-SCARRED chapter of French corporate history ended yesterday when M Jean-Pierre Willot, the most prominent member of the family clan which legally has a controlling stake in the loss-ridden Boussac textile group, was given a one-year prison sentence after being found guilty on charges of illegal funds transfers.

The long-awaited sentences, delivered yesterday by a Paris court, followed a lengthy and sometimes dramatic trial in which the Lille-based Willot brothers faced a variety of charges relating to financial malpractices during the building up of the Agache-Willot textile and retailing empire.

Jean-Pierre, the financier of the family who has decades of experience in financial gamesmanship, was also handed down a fine of FFr 2.5m (£210,600). He is entitled to appeal against the prison sentence. His brothers, Antoine and Regis, were each fined the same amount, with the former also receiving an 18 month suspended sentence. A fourth brother, Bernard, was acquitted.

The Willots, regarded by many on the Left and the Right as the unacceptable faces of French capitalism, burst upon the public scene in 1978 when the former administration under President Valery Giscard d'Estaing engineered the takeover of Boussac by the Willot group to save the textile concern from bankruptcy.

The 1978 deal was already controversial as a result of opposition from the legendary founder of the Boussac group, "Cotton King" M Marcel Boussac who died in 1980 at the age of 90 with his empire in ruins.

But the Willot/Boussac affair turned into political high drama when the Agache Willot group filed for bankruptcy in June 1981 just after the election of the Socialist Government.

Greens set for talks in Hesse

By Rupert Cornwell in Bonn

THE SOCIAL DEMOCRATS (SPD) and Greens in Hesse are set to open negotiations which could lead to the first ever such ruling coalition in a West German state or Land.

This was confirmed yesterday by spokesmen for the radical left-wing Greens, after a weekend congress of the party in Hesse gave a broad—if highly conditional — endorsement to the offer of Herr Holger Boerner, the state's SPD Premier, for a full-scale alliance.

Should a deal be worked out, it would give Hesse its first clear-cut majority administration since the inconclusive election of October, 1983, at which the SPD won a plurality but not an outright majority of seats.

Thereafter, Herr Hoerner has *had to get by on his own*, or with the aid of informal agreements with the Greens. The last of these, which, survived five months, collapsed last November after a row about permission for new nuclear facilities in the state.

The new discussions promise to be very tough, however. Instead of the one portfolio, covering an enlarged Environment Ministry, which Herr Boerner has proposed, the Greens are demanding two, as well as a virtual right of veto *on nuclear-related plants*.

They are refusing furthermore to vote through—as the SPD is demanding — a single state budget covering both 1986 and 1987.

However, Herr Boerner, who has long since proved himself a cunning political tactician, has one particularly strong card in his hand *vis-à-vis* the Greens. *If the talks* do *fail*, and *he* chooses not to explore the possibility of an alliance with either of the other parties in the assembly, the Christian Democrats or the liberal Free Democrats (FDP), he could provoke new elections.

After their recent dismal showings in both the Saarland and North-Rhine Westphalia, *where they failed* to secure the 5 per cent minimum share of the vote required for seats, the Greens will be keen to avoid exposing themselves to a similar setback in Hesse.

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Britain and Albania seek ways to improve relations

BY OUR FOREIGN STAFF

BRITAIN IS holding talks in Paris with Albania to try to break the 40-year-old diplomatic impasse between the two countries over claims and counter-claims concerning gold bullion and sunk warships.

The UK Government made the first contact with Tirana before the death in April of Mr Enver Hoxha, who ruled Albania since the Second World War, the Foreign Office said yesterday. But officials took it as a minimally hopeful sign that Albania had agreed, since Mr Ramiz Alia assumed power there, to continue the talks.

Albania began to emerge from its hermit-like isolation in the last years of the Hoxha regime, and this year has had ministerial exchanges with its Western neighbours, Italy and Greece. The talks with Britain appear to fit into a pattern of general, though gradual, improvement with Western countries, but not with the U.S.

UK officials would not disclose any details of the secret talks with Albania, except to say that the British position was based on proposals of 1980 and 1981. These proposals were that *the two countries should establish* diplomatic relations and then *discuss how to settle their* claims against each other, and not vice versa, as the Albanians have long insisted.

The British claim arises out of a 1946 incident in which two British warships were sunk with loss of life by Albanian mines in the Corfu straits. Three years later the International Court of Justice awarded the UK £843,947 in damages.

The Albanians, for their part, claim a large portion of the $85m in gold bullion which the Nazis looted from Albania and other countries during the war. This is now held by Britain, the U.S. and France, which form the Tripartite Gold Commission.

Deposited in the Bank of England and the New York Federal Reserve Bank, this gold bullion amounting to some 5,000 kilograms is being held against, among other things, future Albanian payment of Western compensation claims. Decisions by the Commission on settlement of the gold must be unanimous.

Albania is one of the very few countries with which Britain has not only no diplomatic relations, but also has no indirect representation of UK *interests through* a third country embassy.

Solidarity leader speaks out at trial in Gdansk

BY CHRISTOPHER BOBINSKI IN WARSAW

MR LECH WALESA, the leader of Solidarity, yesterday told a court in Gdansk trying three prominent Solidarity activists that "three innocent people are sitting on the defendants' bench."

The three, Mr Ladyslaw Frasyniuk, Mr Bogdan Lis and Mr Adam Michnik, are being tried for fomenting unrest by playing a leading role in the banned union and attending a meeting in mid-March to plan a 15-minute token strike against food price rises. They face up to 7½ years in prison if convicted.

Mr Walesa denied in court that he had called the meeting to discuss strike plans and in any case stated that nothing substantive had been debated before the police entered the flat where it was being held.

Mr Walesa is being investigated on similar charges but no case hasas yet been brought to trial. As Mr Walesa was speaking the Polish Government prepared to greet Mr Shintaro Abe, the Japanese Foreign Minister, who arrived yesterday for a two day visit here.

The Japanese visit marks the lat*est stage in Poland's* chequered attempts to reestablish normal links with Western countries, which suffered a setback when Mr Leo Tindemans, the Belgian Premier, post*poned a visit here last month*.

The Poles have been insisting that the Western leaders drop contacts with Solidarity supporters while in Poland, and this scuttled *the Belgian visit* and is holding up preparations for trips to Warsaw by a Spanish delegation as well as the Irish Foreign Minister.

The Poles are hoping for some Japanese support in their quest for fresh Western government credits.

Western governments are waiting for Poland to sign an agreement rescheduling $12bn falling due between 1982 and 1984 before considering the issue.

Abstentions reach 6% in Hungary elections

By Leslie Colitt in Berlin

HUNGARY'S first obligatory multiple-candidate elections at the weekend resulted in no upsets – all candidates were approved by the Communist Party – but did contain a few surprises.

In an attempt to introduce some choice for voters, at least two candidates had to contest each of the 352 parliamentary seats and the 42,000 seats on local councils. But 6.1 per cent of eligible voters abstained from the ballots, compared with 3 per cent in 1980 elections, as voting in Hungary is not mandatory. Only 1.2 per cent of the 7.4m voters opposed the candidates for parliament, while 5.4 per cent of the votes were declared invalid.

Mr Imre Pozsgay, general secretary of the People's Patriotic Front, which represents the Communist Party, said there were "no political reasons" for the larger number of abstentions and invalid votes.

Hungary's Communist leader, Mr Janos Kadar, who was placed on an unopposed national list along with 34 other prominent candidates, was re-elected with a 99.62 per cent vote. The Foreign Minister, Mr Peter Varkonyi, who was opposed by two candidates, received only 62.1 per cent of the votes. Mr Varkonyi had to compete for a place on the ballot in his Budapest district against the dissident philosopher Mr Gaspar Miklos Tamas, who was defeated in nominating meetings.

Mr Istvan Sarlos, the speaker of the Hungarian legislature, said he expected a parliament that would be "more prepared to debate." The Hungarian parliament meets only four times a year for a few days and routinely approves government legislation.

Although the Government and party gave the multiple-candidate elections a great deal of publicity, it was made clear that the limited choice would not be widened in the future.

Mr Janos Berecz, a Communist Party secretary, said political life in Hungary would not be carried on in the form of "election theatricals."

David Housego reports from Paris on a political programme which promises a major upheaval

Opposition lifts veil on radical new view of French society

THE FRENCH opposition parties lifted the veil for the first time over the weekend on what they would do if elected to power next March. Taken at face value, their programme would amount to as radical an upheaval of French society as the country has seen this century.

Four years out of power have produced as dramatic a shift of policy on the French right as the Socialists have undergone in office. The starting point is what M Alain Juppé, the economic spokesman of the neo-Gaullist RPR, calls a "collective confession of guilt." It is that while the Right were in power in the 1970s they wrongly increased the power of the state so that taxes grew and the government intervened more in the economy.

The "liberal" model they are now proposing reflects a totally different view of the way in which France should develop. It would be a country which gave first priority to business and profitability—and in which business was more lightly taxed and less controlled. The public sector would be cut to a minimum through a massive programme of denationalisation. Universities would substantially finance themselves and compete against each other. The monopoly of "technocrats" in the civil service would be broken by drafting in outsiders.

Price and exchange controls would disappear as part of the policy of less interventory. The Bank of France would be given an independence comparable to the West German Bundesbank, with control of monetary policy and supervision of the banking system.

These "supply-side measures "designed to inject fresh dynamism into the economy, would be backed by a macro-economic policy which put the emphasis on cutting public expenditure and reducing taxes. The opposition's goal is a FFr 40bn (£3.36bn) annual cut in public expenditure—a yearly reduction equivalent to one percentage point of GNP. It also hopes to boost economic growth to 3 per cent a year.

The broad objectives of the programme echo the generally rightward drift of the consensus in France over the past four years — a trend that has occupied in most industrialised countries. But it is far more radical than anything Mrs Margaret Thatcher proposed in Britain or President Ronald Reagan in the U.S. because, as former President Valery Giscard d'Estaing, said over the weekend: "A liberal economy has never really existed in France."

France's last major experiment with market oriented economics was the capitalist explosion of the second half of the 19th century. This brought an unprecedented boom but left such inequalities that France has been on the retreat from it ever since.

Opposition leaders Jacques Chirac, Raymond Barre and Valery Giscard d'Estaing: their programme's broad objectives follow the rightward drift of the French consensus

M Raymond Barre, the former Prime Minister, and the cautious voice within the opposition, believes that it is foolish for the Right to proclaim from the rooftops policies that are unrealistic or will be painful to implement.

There is little obvious leeway for further cutting public expenditure and taxes—the Socialists are having enormous difficulty this year in meeting their objectives of tax cuts and of holding the budget deficit to 3 per cent of GNP.

On that basis the opposition would have great difficulty in reducing expenditure by a further FFr 40bn a year—without substantially raising public sector tariffs, health charges etc, which would have a deflationary impact on the economy.

They could be taking power at a time when recovery in the trade deficit was still fragile and when the franc was under pressure.

In addition to the problems of macroeconomic policy, the opposition faces the difficulty that its major structural reforms will take a long time to show results, and will inevitably have unpopular consequences in the short term. Hanging over them is the possibility that President Francois Mitterrand could use the most powerful constitutional weapon in his armoury—the right to dissolve the National Assembly after a year or just at the moment when the Government's problems are undermining its popularity.

M Jacques Chirac, the RPR leader and M Giscard d'Estaing are both aware of these objections. Two calculations have led them to throw caution to the winds.

The first is that they believe that the opposition can no longer satisfy its followers by criticising the Government alone.

The second reason lies in the differing views they have from M Barre on how events will unfold on the morrow of a right-wing victory in March. M Barre believes that it will be impossible for the Right to to implement their programme if M Mitterrand remains at the He is thus calling for a massive opposition victory that will force M Mitterrand to quit.

M Chirac believes the opposition risks little in pitching its ambitions high. If M Mitterrand refuses his assent or turns down nominations for key posts, then the responsibility for the ensuing constitutional crisis would rest squarely on his shoulders. In such circumstances the opposition (and M Chirac in particular) would stand the best chance of winning the presidential election that would follow shortly after.

M Giscard d'Etaing's strategy is based on this scenario—that M Mitterrand will remain in office but initially as a passive spectator. In such circumstances, the former President would take the lead in explaining that much of the opposition's programme would have to be shelved until after the presidential elections of 1988.

The opposition is thus in a state of schizophrenia.

It is broadly agreed on the direction in which it would like to push French society and the French economy. But it is violently at odds over the timing, methods and who should lead it.

Kyprianou accepts latest UN proposals

BY ANDRIANA IERODIACONOU IN ATHENS

CYPRIOT President Spyros Kyprianou arrived in Athens yesterday to brief the Greek Government on the latest United Nations (UN) peace proposals for the reunification of Cyprus. According to officials following the UN peace initiative, the proposals have been accepted unconditionally by the Greek Cypriot side but not yet by the Turkish Cypriots.

This is the first opportunity the Cypriot President has had to make the journey to Athens to discuss the matter face to face with Dr Andreas Papandreou, Greek Prime Minister, given that Greece has been in the throes of a general election campaign since the end of April, roughly the time when the new proposals were put forward by Sr Javier Peres de Cuellar, secretary general.

Mr Kyprianou will meet both Dr Papandreou and Greek President Christos Sartzetakis today. Further consultations may be held tomorrow before the Cypriot president's scheduled departure on Thursday morning.

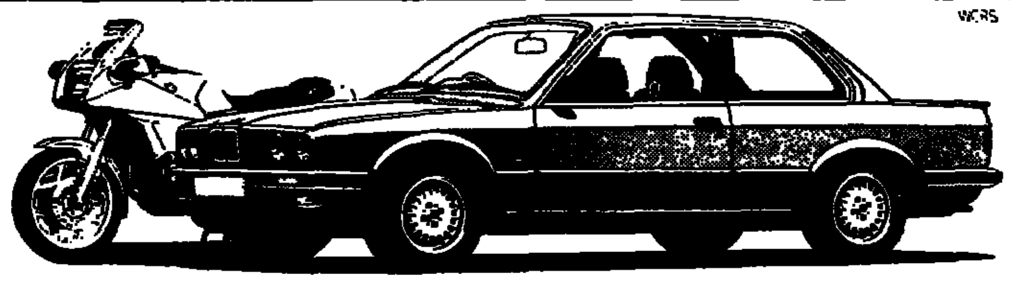
Sr de Cuellar's latest proposals are essentially a blend of documentation put on the table by the UN secretariat and the Greek and Turkish Cypriots during an abortive January meeting in New York between Mr Kyprianou and Mr Rauf Denktash, the Turkish Cypriot leader. Like the January documentation the "consolidated paper" as it is called, envisages the setting up of an independent, two zone federal republic in Cyprus with a Greek-Cypriot President and Turkish-Cypriot vice-president, and a single citizenship and currency.

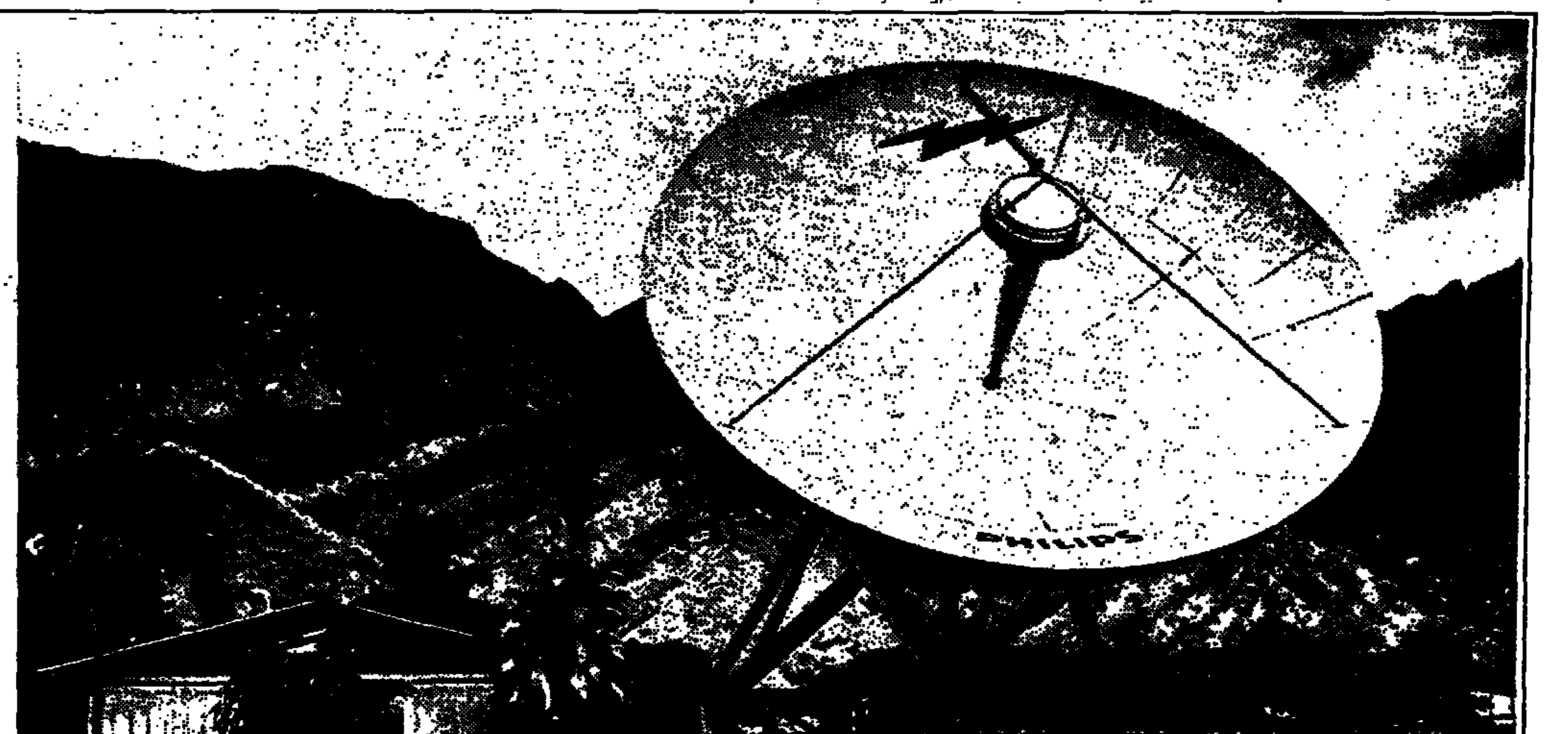
The new element is to be found in Sr de Cuellar's suggestions on the procedures to be followed for the translation of his peace proposals into a signed and sealed settlement plan for Cyprus. The secretary general has abandoned the idea of trying to plunge directly into a second Kyprianou-Denktash meeting, which was his original aim after the collapse of the January talks. This would risk a repeat failure at summit level, which would in turn endanger the UN peace initiative.

Instead Sr de Cuellar has called on the Greek and Turkish Cypriots in the first instance to endorse the present "consolidated paper". Once the paper has been accepted then the secretary general's suggestion is that working groups should immediately take up the task of tackling unresolved details. These include key issues such as the timetable for the withdrawal of Turkish occupation troops, which have held the northern third of Cyprus since 1974, and guarantees for the future state. A new summit meeting would follow.

According to Western diplomats in Nicosia, Mr Denktash is unlikely to give his reply on the secretary general's proposals before elections scheduled for June 23 to be held in northern Cyprus, which was unilaterally declared a state by the Turkish Cypriots in 1983.

On Sunday, the Turkish Cypriots staged "presidential" elections in the self-styled state in which Mr Denktash emerged as the winner with over 70 per cent of the vote. A referendum for a "constitution" was held in early May. Both the Greek and Cypriot governments issued strong condemnations of the Turkish Cypriot moves yesterday.





EUROPEAN NEWS

Peter Montagnon, Euromarkets Correspondent, writes from Basle on the annual report of the Bank for International Settlements

BIS prescribes gentle nurturing of the economic recovery process

ECONOMIC policy-makers have much reason for satisfaction when they look back at the events of 1984, according to the annual report of the Bank for International Settlements (BIS) published today.

Not only did total economic output in the Group of Ten industrial countries grow by an average of nearly 5 per cent, making last year one of the best since 1973; inflation also remained generally under control.

The recovery process, spurred by the rapid growth of the U.S. economy, has spread not only to all industrial countries but also to large parts of the developing world. Millions of new jobs have been created within the U.S. itself, while the recovery has at least halted the deterioration of European labour markets. The resumption of growth has helped defuse the debt crisis and banks in industrial countries have been able to strengthen their capital base.

Perhaps because the recent record has been so positive, this year's report is remarkable for its lack of stridency. Gone are last year's dire warnings of a collapse in world growth if the U.S. fails to take action to correct its budget deficit.

In their place is a more gentle insistence on the need for action to be taken over the medium term to preserve and nurture the recovery process. "The major policy objective for Western industrial countries is clear enough: to keep up the momentum of their recovery," the report states.

Against the present broadly encouraging background—"one that would have been considered highly improbable by even the most sanguine forecasters during the crisis months of 1982"—four potentially serious problem areas remain. These are: the twin problems of unemployment and inflation; the risks of instability inherent in a climate of financial market innovation; the volatility of exchange rates and external imbalances in the developed world; and the international debt situation.

The report goes on to argue that the record of progress in 1984 masks two continuing fundamental questions for policy makers. The first is that almost five years of anti-inflation policies in most Western countries have still failed to eradicate inflation. The second is that the recovery has progressed far without having done more than halt the rise in unemployment in Europe and bring only partial and unevenly distributed relief in the U.S.

"Worse still, in Europe, there is little prospect of any really substantial reduction in unemployment even if growth were to continue at a moderate pace for some years to come."

These two facts suggest quite bluntly that something has gone wrong in the way prices are set in many Western countries, particularly in the labour market, it says. "Unless we can restore a greater degree of two-way flexibility to price and wage formation, it would be vain to expect our industrial economies to achieve a growth performance fast enough to absorb unemployment in the foreseeable future. Any marked acceleration of growth achieved solely through a relaxation of macro-economic policies would be very likely to rekindle inflation, and this would soon put an end to the growth process itself."

But a central issue for the world economy also remains the need to unwind the U.S. budgetary and payments deficit, it says. The report argues that the high budget deficit is responsible for keeping interest rates high in the U.S. and that high interest rates themselves are the single most important factor in the overvaluation of the dollar.

At the same time, however, it urges that the adjustment process be a gradual one. "An immediate, drastic cut in the deficit is obviously not feasible. Nor is it desirable, since it could well push the U.S. economy towards a premature slowdown." Gradual adjustment of the deficit would imply a moderate slowdown in U.S. growth, a significant further decline in U.S. interest rates and in the value of the dollar, and a boost in U.S. exports.

Other countries would have to take offsetting measures both to compensate for slower U.S. growth and to make room for an expansion of U.S. exports. On the latter issue, the report is blunt and categoric. Protectionism must be rolled back, it says. Japan has a major role to play in boosting its imports.

The report also largely endorses the Bonn summit reluctance of major countries such as Japan, West Germany and the UK to reflate their economies through American-style tax cuts.

"The current U.S. experience is simply not exportable; no government outside the U.S. could safely base a stimulatory fiscal policy on the assumption that it will attract spontaneous external financing on a durable basis," it says.

These countries, too, must take a medium-term approach to improving their growth prospects. The best contribution Europe could make would be to speed up and even radicalise efforts towards removing structural rigidities. In the process, the weight of public sector spending must be further reduced, but the tax burden should be alleviated *pari passu* with progress in this direction, not long in advance of it.

Here the report harps again on the rigidity of wage structures. It singles out Japan as probably the only industrialised country to have successfully tackled both inflation and unemployment. One approach elsewhere could be remuneration arrangements depending in part at least on the profitability of the individual firm, somewhat along the lines of bonus and overtime provisions applying in Japan.

"Only such a major departure from current practice could make it possible for labour to be priced into the market and for unemployment to be gradually swept away. The relatively goods news on the inflation front should not distract attention from the great need for far-reaching changes in the way prices and wages are set," it concludes.

Rapid market changes add to problems of monetary policymaking

THE RAPID pace of innovation and deregulation in financial markets has added immeasurably to the problems facing central banks in forming monetary policy, the Bank for International Settlements (BIS) says in its annual report.

The practice of setting targets for money supply expansion, which has grown up in many industrial countries since the early 1970s, has been complicated by the blurring of distinctions between types of financial instrument and of institutions operating in the marketplace.

"This does not make targetting easier, in terms of either definition or attainment," the BIS says, although it stresses that central banks must continue to pursue domestic monetary policies aimed at a further slowdown of inflation.

In practise, this will mean operating targets in a somewhat longer perspective, accompanied by discretionary changes in the target whenever these are necessitated by the shifting institutional or economic environment.

Such an approach is a difficult one, however, because discretionary changes in monetary targets tend to undermine one of their most important roles—that of providing a clearly defined "anchor" for the wildly-fluctuating expectations of market participants.

"In these circumstances the credibility of monetary action comes increasingly to depend upon the final results achieved, which puts a very heavy burden indeed on monetary policy," the report says.

But central banks will also have to adapt to the changing financial climate in other ways too, it continues. There is a danger that the pace of change could add to the instability of financial markets.

"The complex process of innovation, despecialisation and deregulation must be kept firmly under control so as to ensure that it proceeds in an orderly and balanced way without exposing whole categories of financial intermediary to disruptive pressure."

The flow of information about the markets must be improved and the supervisory framework adapted in an internationally co-ordinated way to present highly-innovative and competive environment, it says.

On another issue of monetary policy, the report comes out in favour of using exchange market intervention to give some support to medium-term stabilisation policies.

KWU signs preliminary accord for N-plants in China

BY PETER BRUCE IN BONN

KRAFTWERK UNION, the West German nuclear plant contractor, has finally signed a memorandum of understanding with the Chinese Government over the possible delivery of four 1,000 mW pressurised water reactors to Peking.

Negotiations towards such a deal, which would be worth up to DM 5bn (£1.28bn), have dragged on since 1979 and culminated here yesterday during an official visit to West Germany by the Chinese Prime Minister, Zhao Ziyang.

Kwua said after the signing of the deal would lead to a broad transfer of technology, enabling China to build further plants on its own. The two signatories still have lengthy negotiations on delivery, price and financing ahead of them, however, and it is still possible that strong competitors in the U.S. and in France could win at least part of the contracts the Chinese are preparing to offer.

"The negotiations . . . will probably take a while longer, with the German reactor industry facing fierce international competition," KWU said in a statement.

The first two reactors are due to be built at Sunan, 80 miles west of Shanghai. China is expected to build up to 10 nuclear reactors by the end of the century as part of a massive modernisation programme.

The Bonn Government may also have to reach a final decision on its opposition to sending nuclear waste to China for storage before final contracts are signed. China has offered Bonn nuclear waste storage facilities in the Gobi Desert as a means of financing West Germany exports. Bonn was initially opposed to the idea, partly because China has not signed the Non-proliferation Treaty, but the idea has won more support here recently.

If the West Germans do win final contracts, it also seems likely that some work on the reactors will be subcontracted to Nuclebras, the Brazilian state nuclear authority.

The Brazilians are in urgent need of new orders, and Peking and Basilia signed an agreement last year which would allow for co-operation between the two on reactor design and construction.

Bonn and Peking have also signed a double taxation pact during Prime Minister Zhao's stay, with the West Germans also expressing interest in becoming involved in small and medium sized businesses in China.

It has also become apparent that Bonn has been intervening on Peking's behalf with CoCom, the U.S.-led agency which monitors exports of high technology to Communist countries. Zhao yesterday thanked Chancellor Helmut Kohl for his support with re- to CoCom, which often blocks delivery of sophisticated computer equipment to the Communist world.

● Two thousand farmers took part (right) in a protest in 1979 against the Bonn Government's nuclear waste plans for Gorleben in Lower Saxony

Legal battles strikes core of W. German nuclear waste plan

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY'S nuclear power industry faces a new bout of legal wrangling, after court orders have brought a halt to its plans for intermediate storage depots for nuclear waste.

The court rulings strike at one of the basic pillars of the country's strategy for dealing with the growing volume of spent fuel being unloaded from its nuclear power stations.

However, the rulings amount to a temporary "freeze" until more detailed court hearings can be held, and nuclear experts hope that they can win future legal arguments.

The industry's latest setback came last week when a court in Münster issued a temporary injunction to stop work on construction of an intermediate storage depot for spent fuel at Ahaus in North Rhine-Westphalia, near the Dutch border.

In a separate case earlier this year, a court in Lüneburg ordered a halt to deliveries of spent nuclear fuel to the newly-finished intermediate storage depot at Gorleben in Lower Saxony, close to the East German border.

Until now, most spent nuclear fuel from West Germany's power stations has been sent to France or the UK for reprocessing for future use, and electricity utilities have contracts for further shipments there into the 1990s.

The West Germans, however, plan to build their own reprocessing plant at Wackersdorf in Bavaria at a cost of DM 5.2bn (£1.32bn). It is due to start in the early to mid-1990s. Before spent fuel is treated at Wackersdorf, it is supposed to be stored for some years, in tahe Gorleben and Ahaus intermediate depots.

The Gorleben depot, involving total investment of DM 80m, took its first deliveries of spent fuel late last year, while Ahaus, where construction alone is put at about DM 24m, is due to be finished in mid-1986.

The court rulings are a victory, so far at least, for West Germany's still-active anti-nuclear movement, which for two decades has fought the development of nuclear power with violent demonstrations and resourceful legal manoeuvring

The rulings have raised some speculation about whether West German law at present permits intermediate depots for storing spent nuclear fuel; but the courts have not yet dealt in detail with such substantive issues.

At Ahaus the building project has been halted to consider objections raised by a local farmer: he argues that the depot is being built on land which is supposed to be used for industrial purposes, and that a nuclear storage depot is not an ordinary industrial project.

Nuclear authorities claim that they have no cause for pessimism: they hope that the issues will be clearer within a few months. On the other hand, it is impossible to predict how such court cases will develop or how long they will take, especially if appeals to higher courts are involved.

Nuclear experts say they still have plenty of room for manoeuvre in their long-term nuclear waste plans and that time is still on their side. They argue that no nuclear power station will be impeded if spent fuel cannot be sent to Gorleben in the immediate future. In addition to facilities abroad, some nuclear plant themselves have sizeable storage capacity in so-called compact racks.

Fuel desined for the Wackersdorf reprocessing plant has to cool down for six or seven years beforehand. This means that storage capacity does not become a real problem until about 1988-89, assuming that the reprocessing plant is in full operation before 1995.

However, one nuclear scientist said the court rulings showed that the "back end" of the nuclear fuel cycle (involving spent fuel) was very difficult to handle in West Germany. "It is a psychological problem," he said.

The court cases are likely to be used by the French, and also the Chinese, to reinforce their arguments in seeking nuclear fuel business in West Germany.

The French have already been pressing the West German electricity undertakings to agree to further arrangements to fill up spare capacity at the reprocessing plant at La Hague, near Cherbourg.

The West German Government initially rejected the idea of sending nuclear waste to China when the matter first came up more than a year ago; but despite a cautious approach in Bonn, the idea has gained some acceptance among nuclear experts.

Interest in the idea has grown since it became clear that Kraftwerk Union (KWU) was well in the running to win nuclear power station business in China.

The West Germans, however, remain guarded about the nuclear waste idea, partly because of the political problem of China's nuclear weapons programme and partly because the Chinese are asking a high price for their services.

Despite the efforts of nuclear protestors, West Germany now has 16 nuclear power plants in addition to three experimental plants. They contributed 27.6 per cent of the electricity generated last year in the public network (omitting some conventional power stations for private industry's own use).

Finns deny improper behaviour by troops in Lebanon

BY NORA BOUSTANY IN BEIRUT

FINLAND denied yesterday that its troops serving with UN forces in south Lebanon had in any way behaved improperly. In a response to Israeli accusations, a statement issued in Helsinki said that such charges were groundless.

The Israeli-backed South Lebanon Army is holding 21 Finnish troops hostage and demanding the release of 11 of its own men seized by the Shi'ite Amal militia.

The Finnish statement said that during May "it can be shown that the Finns, in line with their duty, disarmed roughly as many SLA as Amal organisation soldiers."

Mr Timor Goksel, the UN spokesman in Lebanon, said yesterday that all contact had been lost with the Finnish hostages. Other officials predicted that the crisis might continue for some time.

The Finns in south Lebanon claimed that the 11 men belonging to the SLA had voluntarily handed in their weapons and asked to be taken to Amal headquarters. Ali Jaber, the leader of the 11, was quoted as saying that none wished to return to the SLA.

It was meanwhile confirmed in Beirut that an American professor was abducted on Sunday while travelling by car from the airport. Mr Thomas Sutherland was the seventh American to be kidnapped in the Moslem-controlled western half of the capital since March 1984.

No one has yet claimed responsibility for the seizure of Mr Sutherland who is dean of the agriculture faculty at the American University of Beirut.

Two Katyusha rockets were fired into northern Israel yesterday following claims by senior officers that all regular army units had completed their withdrawal from south Lebanon. No-one was hurt in the attack but local residents said they were the first rockets to hit the area since the June 1982 invasion.

Israel launched its invasion in order to protect the north of its country from such attacks and with the aid of the SLA has set up a seven to 12-mile deep security belt in southern Lebanon. A number of Israeli troops and intelligence officers will continue to police the zone in an attempt to prevent guerrilla infiltration.

Saudi Arabian imports fall 12.3%

SAUDI ARABIA'S imports fell 12.3 per cent last year to riyals 118.7bn (£25.8bn) according to a Ministry of Finance statement reported by Reuter in Riyadh.

The Ministry, which made no mention of exports, attributed the decline to lower prices, a fall in freight costs and increased stocks. Car imports were 32.7 per cent lower and electrical equipment and appliances were down 18.7 per cent.

Zambian strike ends

Zambia's week-long copper mining strike has ended and government officials have begun hearing appeals from more than 4,000 sacked workers, a Zambian Consolidated Copper Mines spokesman told AP in Lusaka.

Metalworkers' plea

The International Metalworkers' Federation opened its world congress yesterday with a call for a campaign to reduce working hours, reports AP from Tokyo.

Mr Herman Rebhan, general secretary, singled out Brazil, South Korea and Japan and said "the campaign for reduced working time remains a . . . priority for the rest of this century." The congress is held every four years.

Our Harare Correspondent looks at the contenders in the coming Zimbabwe elections

Hiccups for Mugabe on road to poll victory

ON THE face of it, Zimbabwe's ruling Zanu Party should win a comfortable majority when the country's 2.9m black voters go to the polls on July 1 and 2.

It draws support from the dominant Shona tribe—80 per cent of the population—has enjoyed the uncritical backing of the state-controlled media since independence in 1980, and the economy is recovering from the country's worst drought for decades.

But Mr Robert Mugabe, the Prime Minister, is nonetheless taking no chances in a campaign which effectively began several months ago. His party shelved the contentious proposals for a one-party state, has cut back on the Marxist-Leninist rhetoric, and last week provided the electorate with a £65m sweetener: minimum wage levels went up 15 per cent, as did the pay of the country's 150,000 civil servants.

Zanu, however, has to cope with two challenges. (The once all-powerful white community are very much on the sidelines, voting on June 27 for their 20 reserved seats.) The first, and possibly less serious, of the two is posed by the leading opposition party, Zapu, led by Mr Joshua Nkomo, which held 19 of the 80 black seats in the last parliament. The Government's brutal military campaign against armed "dissidents" in the Zapu stronghold of Matabeleland, which left thousands of civilians killed or wounded, has, if anything reinforced Mr Nkomo's support in the province.

Poll opponents: Mugabe and Nkomo.

The second challenge is the growing dissatisfaction among the urban population of Zimbabwe, whose high expectations of post-independence benefits have not always been met.

The rural areas of the country, apart from Matabeleland, are firmly in the hands of Zanu. They have been assured, not only by dramatic advances in health, education and agricultural services, but through a proces of often harsh politicisation that brooks no dissent.

In the urban areas, however, it is a different picture. The waiting lists for housing are as long as they were under white rule, the bus system is increasingly inadequate, school fees have risen sharply and unemployment has grown. Unskilled workers have found that inflation has eroded pay increases, and they spend the same proportion of their wages on the barest essentials.

Whether the two main opposition parties—Zapu and the United African National Council of Bishop Abel Muzorewa, the former Prime Minister whose party won three seats in 1980—can take advantage of urban complaints is another matter.

Zanu's township network of youth members see to it that the opposition parties have no house meetings. But the test will come in the polling booth, where for the first time voters will be selecting candidates matched to the 80 constituencies, rather than endorsing a party list for the whole province as was the case in 1980.

So local issues, the popularity of candidates, their tribal affiliations and their past performances will come into play, giving opposition parties a far stronger hand than before.

None of the political parties have as yet published their manifestoes, but the basic issues seem clear. Zanu has adopted a pragmatic stance, pulling back from a demand for a one-party state which has alarmed many voters long used to a diversity of political choice. It has also pulled back from its determination to create a Marxist-Leninist state, although remaining firmly committed to socialism.

Both Zapu and the UANC, for their part, are likely to promote a mixed economy, a multi-party democracy, and attack the Government's handling of the economy and human rights over the past five-and-a-half years.

For almost the first time since independence, they are getting full access to the media: ranging from the right to unhindered access to advertising space and coverage of opposition party statements to a promise of interviews on television.

The parties have little time, however, to take advantage of this concession to free and fair elections, for the pre-election timetable was shortened by the Government from five weeks to 19 days.

But there is little doubt that the Government is allowing greater debate about political and economic issues than at any time since independence, as well as reigning in some of its intimidatory youth brigades.

In March this year, Mr Mike Auret, chairman of the Catholic Justice and Peace Commission, which has sharply criticised government methods in Matabelland, said that intimidation had made fair elections impossible. Since then, he believes, the Government has made a "real effort."

"The impression I get is that the Government really wants to see free and fair elections, and is trying very hard to ensure that the world will see it like that."

Owen urges Japan to set up bank for African aid

BY JUREK MARTIN IN TOKYO

DR DAVID OWEN, leader of the British Social Democratic Party, yesterday proposed that Japan establish and finance a rural credit bank for Africa as a "distinctive contribution" to help tackle the problems of the continent.

Invoking the Grameen (rural) Bank in Bangladesh as a possible model, he suggested that it might be set up for 10 years with a possible initial financial commitment of Y12bn ($48m), rising to as much as Y40bn. Funding, he said, should be largely in yen, and Japan should not consider the venture to be profit-oriented.

Dr Owen's proposals were released in his absence to a symposium here on the "Ethics of Human Survival," sponsored in part by the Geneva-based Independent Commission on International Humanitarian Issues, of which he is a member.

He had flown back to the UK the night before for the funeral of Lord George-Brown.

Over the weekend, the Japanese Government announced, with some satisfaction, figures that claimed that Japan had last year become the second largest aid donor in money terms among the Western industrial nations. A break-down of the statistics into concessionary aid and trade-related credits, a source of controversy with the UK, was not, however, made available.

Dr Owen, who had argued in a recent report of the Trilateral Commission, another international study group on which he serves, that Japan should save less and spend more, does not accept this Japanese contention. He said in his paper yesterday that, if aid and defence spending were combined and factored as a proportion of gross national product, Japan would rank at the bottom of any Western league.

Moreover, 70 per cent of Japanese aid was directed to Asia, he said. While understandable and while not asking Japan to reduce its Asian assistance, "this skewing of aid must be balanced against famine, poverty and real need," especially in Africa.

The deprivations afflicting Africa have attracted considerable attention in Japan. The Foreign Ministry has conducted a successful domestic consciousness-raising campaign, which has been dutifully picked up by the Japanese media.

Dr Owen said an agricultural credit bank for Africa was consistent with Japan's experience of assisting its farmers. He hoped, among other things, that it might result in young Japanese going to work in Africa.

Arab bank's loans rise

THE Arab Bank for Economic Development in Africa (Badea) approved loans worth $88m (£69.2m) last year, the highest annual level since the institution's inception a decade ago, according to the bank's 1984 report, writes Michael Holman.

Total lending over the decade was $669m, and when loans for the Special Arab Aid Fund for Africa are included ($214m) the Bank's commitments total $883m.

Last year saw sub-Saharan Africa take "a turn for the worse in a truly alarming way," says the report. "In most of the countries of the region, GNP declined sharply, in some cases by up to 10 per cent, in the wake of the worst drought for a century."

Tunisian President in trip to U.S. and France

BY FRANCIS GHILES

THE VISIT this week by President Habib Bourguiba of Tunisia to France and the U.S., the two Western nations with the closest ties to his country, is essentially a courtesy trip but must be seen agains the background of the increasingly volatile political situation in North Africa.

However frail he may be, the 84-year-old doyen of North African leaders still dominates his country's politics after making a remarkable recovery from the stroke he suffered last November.

The trop follows the alliance formed recently between Morocco and Libya and the change of regime in Sudan. Colonel Muammer Gadaffi, the Libyan leader, is never shy of trying to intervene in Tunisian politics. Libya recently beamed anti-semitic broadcasts across the region, calling on countries to "kill their Jews." President Bourguiba intervened to stop the broadcasts.

Relations between Tunisia and France remain very close both politically and economically while Paris and Washington haev a strong vested interest in the continuing stability of this small north African country. Their concern about what may happen after the ageing president is no longer in power was heightened last year by the worst riots since independence, which followed the decision to double the price of bread.

The U.S. multiplied its military aid sixfold between 1980 and 1983 and has maintained it around $90m (£71m) per annum since then.

Since independence, the U.S. has garnted about $1bn worth of aid to Tunsia and further aid requests are bound to be discussed in Washington.

Sudan poll 'next April'

SUDAN's military leader General Abdul-Rahman M H Swaraddahab has been quoted as saying that general elections will be held next April in his country, AP-DJ reports from Saudi Arabia.

In an interview published in the English-language newspaper Saudi Gazette, gen Swaraddahab said elections have been scheduled for April 26 to choose a constituent assembly, which would formulate a constitution.

"The elections will take place in time," he said. "All arrangements have been made. There should be no delays, and the legislative assembly will write the constitution and form the Parliament."

Gen Swaraddahab was on a two-day unofficial visit to Saudi Arabia, ostensibly to perform the Umreh, the lesser pilgrimage to Mecca. He also was to hold informal talks with King Fahd.

William Chislett examines the prospects for improved relations between Mexico and Britain

Mexico brings the case for better relations to London

"THE TWO countries are like two shy people at a discotheque who are afraid to ask one another to dance and end up as wall flowers." This is how one British banker summed up the trade relations between Britain and Mexico.

Both countries want to improve relations and Sr Miguel de la Madrid, the Mexican President, will be trying to do just that during his state visit to Britain which begins today. The President will focus on trade and investment and seek to assure the City of London that Mexico is putting its heavily-indebted house in order.

The President will be accompanied by Sr Hector Hernandez, Trade and Industry Minister, Sr Jesus Silva Herzog, Finance Minister, and Sr Bernado Sepulveda, Foreign Minister.

UK businessmen are frustrated by their low level of exports to the twelth-largest economy in the non-Communist world, with 75m people. Mexico, which would like to diversfy its trade away from heavy dependence on the U.S., bemoans its lack of sucess in exporting to Britain.

British exports to Mexico, chiefly capital goods, peaked at $450m (£354.3m) in 1980 when Mexico's oil and credit boom was in full swing and the overvalued peso madeimports cheap. The crash of the Mexican economy in 1982 has hit UK exports hard; they fell to $200.6m last year, according to UK customs and excise figures. (Whisky exports plummeted to £1m last year from a high of £9m). Now there are signs of a recovery in the Mexican economy and British businessmen do not want to miss opportunities.

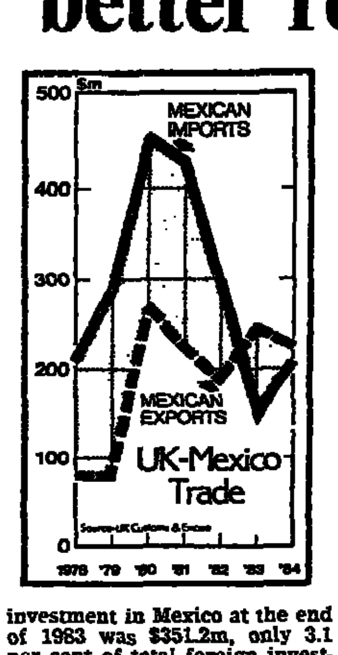
On the Mexican side, exports jumped from $77m to $267m in 1980 when oil began to be shipped, pushing Mexico's trade with the UK into surplus in 1983.

Mexico is pinning its hopes of restoring historic growth levels of 5 per cent to 6 per cent on increasing non-oil exports such as mangoes and avocados, since its oil revenues ($16.6bn last year) will be swallowed up for the foreseeable future servicing its $96bn foreign debt. The British Chamer of Commerce in Mexico is sponsoring a large exhibition of Mexican goods in London this week.

The countries are expected to sign two trade agreements: the Export Credits Guarantee Department (ECGD) to increase its exposure in Mexico by up to $100m and Fomex, the Mexican Government's export funding agency, to make sterling credit available for the first time to UK buyers of Mexican goods. Until now, Fomex's funding has been exclusively in dollars.

ECGD's exposure in Mexico would increase to about $700m, which is still small compared with the $7.4bn UK commercial bank exposure.

Mexico is keen to attract more British companies to its thriving 'maquiladora" sector. There some 700 operations in this area which import components for assembly or manufacture (like radio sets) and export the finished product across the border to the U.S. Only two UK companies, the American subsidiaries of GEC and Cambridge Electronics, have in-bond operations. The book value of UK



investment in Mexico at the end of 1983 was $351.2m, only 3.1 per cent of total foreign investment, according to the Mexican Foreign Investment Commission.

Several joint ventures may be announced in London: GKN in vehicle components, Morgan Crucible in ceramics and glass, and Balfour Beatty in a tourism project with the state Government of Sonora. Acorn, whose BBC micro computers are made under licence in Mexico, may announce a deal whereby its Hong Kong operation exporting to the U.S. will be transferred to Mexico.

Less certain, however, are the prospects of Davy McKee which won a $300m contract in 1982, thet largest ever awarded by the Mexican public sector, to build a large steel plate mill at Lazaro Cardenas on the Pacific coast. The project is being squeezed by Mexico's budget constraints: discussions are taking place to try to alleviate current financing problems.

While there is a stronger will to increase trade there are problems on both sides; with no direct Mexico to London flight, the exporting of Mexican fresh fruit is a difficult business. British Airways is looking at establishing a flight, but so far there is no firm commitment.

Efforts by Mexican businessmen, cocooned by years of protectionism, to be more export conscious have been dealt a double currency blow which is pricing their goods out of Europe. The Mexican peso, linked to the dollar, is slightly overvalued and the surge of the dollar against European currencies has left the peso flat against sterling, despite a wide inflation differential between Mexico and the UK.

A sign of hard times it that Intermex, the London-based consortium bank, has become closely involved in promoting trade. Tins of Mexican nuts, cases of bottled beer and, of all things, cans of anti-static spray are spread around its trade office. Intermex needs to find other business to make up for the slump in loans to Mexico.

Intermex now promotes Mexican food, which is little known in Britain. It is galling for Mexicans, a nationalistic people, to find that Texas (once part of Mexico) is exporting canned tortillas, the corn-based pancake, and that Yugoslavia and Greece are exporting their own brand of tequila, Mexico's national drink.

Denmark surveys trade barriers

By Hilary Barnes in Copenhagen

A Danish manufacturer of Printca printed circuits stopped exporting to France because payments procedures were so cumbersome that exports were not worthwhile. Goods were sold against contracts for payment within 30 days, but typically took 120 days.

Another company wanted to tender for public sector contracts in Italy, but gave up when it found that the paper on which the tender was to be submitted had to be officially stamped in Italy.

These were among the several hundred complaints made by Danish companies in a survey on trade barriers by the Danish Federation of Industries.

France, Japan, Finland, Italy and Austria were the countries which caused some of the biggest headaches for Danish exporters, according to the survey. But there were also a large number of complaints about West Germany and Sweden.

The UK appears to be one of the countries about which the Danes have fewest complaints.

The survey was broken down into the total number of complaints per country, with France, Germany and Sweden top of the list. Each country's share of total complaints was also divided by its share of industrial exports to obtain a trade barriers index. the UK, 31, was the lowest.

In the latter count, France, 331, and Japan, 307, come out way ahead of Finland, 138, and Italy, 105. The index for France scores high under all headings except customs duties. These include customs technicalities, government subsidies, "buy national" policies and norms.

Government subsidies were described as a chronic problem with regard to competition in Sweden and France. "The subsidies to French exports, and especially export credits, is a major problem for Community competitors in countries outside the EEC," say the Danes.

"Buy national" policies cause serious problems in West Germany and the UK. Norway is also indicated on this count. "The Norwegian offshore sector is almost entirely sealed off from foreign competition even where foreign supplies are offered at decidely lower prices," said the survey.

Finland's countervailing import tax, which technically is neither a tariff nor illegal under international trade rules, is one of the most serious single complaints.

Duties, customs technicalities, "buy national" policies, norms, standards and test approval problems all rank high in the complaints about Japan and the U.S.

France wins FFr 5bn Ganges contract

BY PAUL BETTS IN PARIS

COMPAGNIE Generale des Eaux, France's leading private water distribution and treatment company, has been chosen by the Indian Government to lead a consortium of French companies for a major FFr 5bn (£421.22m) project to clean up the River Ganges.

The French group has been asked to supply 27 water treatment plants to cleanse India's sacred but heavily polluted river. Each of these plants is worth about FFr 200m.

French and Indian officials said the first plant would probably be built at the holy city of Benares.

The Ganges clean-up project was among a series of agreements signed at the end of the state visit to France of Mr Rajiv Gandhi, the Indian Prime Minister. These contracts reflect the improved relations between Paris and India after the diplomatic controversy between the two countries stemming from the recent spy scandal in India in which France was implicated.

Apart from the Generale des Eaux deal, Jeumont-Schneider, the telecommunications and engineering subsidiary of the Empain-Schneider private conglomerate, also signed agreements worth FFr 500m to supply Indian telecommunications companies with licences for the construction of private telephone digital exchanges involving a total of 1m telephone lines.

Jeumont-Schneider said it had won the industrial co-operation contracts in private digital switches against intense competition from Japanese, U.S., British and West German companies.

India and France have also signed an agreement after three years of negotiations to set up a joint Franco-Indian advance research centre which will focus on four specific factors including biotechnologies, applied mathematics, optical physics and renewable energy sources.

However, no agreement on the proposed sales of 19 new Airbus A-320 twin-engine 150-seater aircraft to India appears to have been reached. Both Airbus and Indian officials declined to discuss the state of talks on the Airbus sales suggesting that a decision would probably be announced in a few weeks' time after Mr Gandhi's U.S. visit.

There also appeared to have been no breakthrough at this stage in the negotiations involving the sales by Aerospatiale, the French state aerospace group, of 22 Dauphin helicopters worth a total of about FFr 500m to India.

Among other contracts France is still hoping to win are a large defence order for 155 mm howitzer guns which could be worth up to FFr 10bn; an order for six gas turbines involving Alsthom Atlantique, the CGE subsidiary, worth about FFr 300m; and the construction of a dam and power station by another subsidiary of the CGE group. France is also hoping to win more telecommunications orders from India as well as computer orders from its nationalised Bull computer group.

Bonn takes firm line on export concessions

BY JOHN DAVIES IN FRANKFURT

THE West German Government has disappointed some sections of industry by taking a firm stand on concessions in talks about the way the country's export credit insurance scheme is run.

Proposals to ease some conditions have run into unyielding resistance in Bonn because Dr Gerhard Stoltenberg, the Finance Minister, is anxious to prevent heavier losses placing a burden on the Federal Government's budget.

The West German export credit insurance scheme is carried out through Hermes, a private company, according to guidelines laid down by the Bonn Government. With the recession and serious international debt problems, the Hermes scheme has run into heavy losses through compensating exporters who have not received paymetns for supplies.

After plunging to a DM 730m (£187.6m) loss in 1983, the Hermes scheme's deficit jumped to DM 1.2bn last year.

As a step towards covering the losses, exporters were confronted with an increase of an average of 40 per cent in Hermes fees from April last year.

Since then, some exporters, particularly those dependent on orders from developing countries and other countries considered risk areas, have been pressing for improvements

Economics Ministry officials have made plain to exporters that proposals which could lead to extra costs cannot be contemplated. Some proposed changes which are considered neutral in cost terms are still being examined.

Last week, Dr Klaus von Lindeiner, finance chief of Lurgi, the engineering and process plant concern, questioned the line taken by the Government. He said that talks about improvements in Hermes conditions had met with little more than "understanding" in Bonn.

Dr von Lindeiner said that 500,000 jobs depended directly or indirectly on West Germany's process plant industry, which, in turn, was highly dependent on orders from abroad. To back up this work through Hermes export credit insurance would not amount to subsidy but sound economic policy, he asserted.

The West German Government is adamant that its export credit insurance scheme should avoid subsidies and operate on sound commercial lines. This policy is backed by exporters, but some of them are also keen to emphasise the employment benefits of supporting export orders.

Government officials argue that the Hermes scheme is being operated flexibly and that individual cases go virtually to the limit of what is justifiable in risk management.

Hermes covers less than 10 per cent of West Germany's exports. But without Hermes coverage, it is difficult or impossible to obtain finance for exports regarded as a financial risk.

Although West Germany's trade has been buoyant, the main impetus has come from orders from industrialised countries, for which Hermes coverage is generally considered unnecessary.

John Brown may build Bulgarian factory

By Christian Tyler, Trade Editor

BULGARIA is negotiating with the British contractors John Brown to build a biotechnology factory for the mass production of enzymes used in pharmaceutical and food manufacture.

The negotiations are part of a state programme to make Bulgaria a leading developer of biotechnology within Comecon, the socialist trading bloc.

John Brown is interested in building an enzyme plant, which would cost between £20m and £50m, and has been asked to find companies willing to sell the necessary technology licences.

The enzyme plant is one of seven projects announced by the Bulgarian Government last autumn. Negotiations on price have not yet begun, but John Brown appears convinced that the Bulgarians can raise the money for the programme.

Ambitious

"It's an ambitious programme," Mr Malcolm Stewart, associate director for biotechnology at John Brown, said yesterday, "but they are very serious about this biotechnology plan."

A Bulgarian embassy official in London said the equivalent of hundreds of millions of pounds has been set aside for the programme.

Another UK process plant manufacturer, APV International, has already set up a joint venture company in Sofia with Bioinvest, a new state organisation. Negotiations have begun in parallel with Celltech, a small British biotechnology company partly owned by the Government, for the sale of cultures used in the manufacture of compounds for medical diagnosis and treatment.

However, Celltech managers say they are still unsure whether Bulgaria will pay the asking price for their specialist technology, said to be around £1m.

Enzymes

The plant for which John Brown is bidding would produce a range of enzymes, in small batches for medical use and in large quantities for the processing of starch.

The Department of Trade and the companies said there were no export controls to prevent the sale of the technology to Bulgaria.

Enzymes are a kind of biochemical catalyst which occur naturally in living cells and which technology has harnessed artificially for the production of a range of organic matter.

John Brown, like APV, specialises in designing and building the equipment to turn laboratory-scale chemical reactions into mass production.

Court rules on Italian car imports

By Ivo Dawnay in Brussels

ITALY has been ordered to dismantle complex and costly registration formalities for foreign cars entering the country under a ruling by the European Court of Justice.

The Court found that special registration rules for cars imported independently from established distribution networks constituted a breach of Community competition rules.

Parallel imports of these vehicles, largely from West Germany, France, Belgium and the Netherlands, had risen to 80,000 in 1984 at pre-tax prices.

In a bid to stem the tide, the Court claims that the Italian Government introduced the new rules last July, increasing their impact to such a point that by March this year independent imports were paralysed.

Italy is now required to revert to regulations in force before July last year.

Fixed air fares system to be considered for Europe

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR TRANSPORT in Europe needs to be freed "from bureaucratic burdens and an unduly protectionist regulatory framework," the European Civil Aviation Conference (ECAC) stresses in its latest report.

The conference, representing the governments of 22 European states, meets in Strasbourg next week to consider programmes for the next three years.

Heading the list of tasks will be the introduction of new forms of fares fixing, including the possibility of some form of zoning system for fares, whereby airlines will be automatically allowed to raise or lower fares within prescribed limits without recourse to governments.

Such a system is used on the North Atlantic air route between the U.S. and Europe, where it has worked well. Within a band of a few per cent either side of a fixed fares level, airlines are free to adjust their fares automatically.

The ECAC says it is not advocating abolition of the bilateral system, recognising that individual governments wish to retain some sovereignty over their flag airlines' actions. The zonal tariff system, it says, should supplement the bilateral system.

A separate report to the forthcoming meeting, prepared by a rapporteur (whose task was to study European air transport affairs), points out that the ECAC, comprising 22 member states, is much wider than the European Economic Community of 10 nations.

● The order for the third A 310 Airbus originally placed by British Caledonian Airways, now relinquished, is being picked up by Turkish Airlines.

Saudi Arabia contracts worth $58.58m

By Finn Barre in Riyadh

THE WATER and Sewage Department of Saudi Arabia's Western region has awarded a pair of contracts worth a total of $58.58m (£46.49m).

Kara Establishment, a Saudi company, has won a $35.55m contract to build a twin pipeline water network in the city of Mecca. The 36-month contract entails construction of seven reservoirs and three pumping stations for potable and non-potable water.

Rio Sesazae Turkes FA, a Saudi-Turkish joint venture, won a $23.03m contract to build a 1-metre diameter twin pipeline and a pumping station. The 18-month contract requires construction of a 9.9 kilometre pipeline to carry water to the Arafat Reservoir and a 17-kilometre pipeline from Arafat to Mina in Mecca. This is the second large water works contract won in Mecca by Rio Sesazae.

Partners with a different approach to trade diplomacy

Paul Cheeseright assesses the conflict in attitudes to new Gatt talks

THE aggressive edge of U.S. trade diplomacy and the cooler, more cautious approach of the EEC were thrown into sharp relief during high-level exchanges between the two trading partners.

The U.S., for its part, is poised for a fundamental shift in its trade policy if there is not a rapid start on a new round of multilateral trade negotiations.

If it cannot engage trade liberalisation on a multilateral basis it will seek to do so on a bilateral basis. This would shift its trade policy into a new mould and signal a threat to the General Agreement on Tariffs and Trade (Gatt), hitherto the vehicle for discipline in world trade.

So much became clear at a conference in Maastricht last week on U.S.—EEC relations.

Yet both sides, each other's biggest trading partners, are agreed on what they want to achieve: both want new multilateral talks on trade liberalisation. The problem is means and timing.

The U.S. is pushing for an early 1986 start. The EEC is saying, by all means start the preparations, but everybody needs to know where they are going.

"We cannot afford a failure and therefore, before embarking on such negotiations, we must do everything we can to ensure that they will be a success," said Mr Willy de Clerq, the EEC external relations commissioner.

For the U.S. this sort of approach is diversionary, a delay. Mr Peter Murphy, the deputy U.S. trade representative, talked of a "dialogue of the deaf," of there being "no meaningful effort to work out common positions."

However, if the U.S. is fed up with the EEC, it is angry with the developing countries, many of whom it sees as dragging feet over a new round. "We have argued until we are blue in the face and we get the impression that the developing countries are not all that interested in multilateral negotiations," said Mr Murphy.

The EEC is more relaxed about this. One simply has to work for consensus; it takes time but there is no alternative to the Gatt system, Mr de Clercq said. "There is no sense in scrapping the only car we have got just because its speed does not match our ambitions."

But the U.S. takes the attitude that if it cannot obtain what it wants one way, then it must follow another route.

"The time for speeches is over. With the situation in the U.S., we won't have the option of sitting idly for a long period of time," said Mr Murphy. The U.S. wanted multilateral negotiations, "but we could be forced to go the bilateral route."

On this basis the U.S. would seek trade liberalisation pacts with individual countries or groups of countries and in doing so would ride over the basic provision of Gatt—what you concede to one country you concede to the rest, the most favoured nation principle.

Administration officials are not too concerned about that. They believe that once the process starts it would set off a train of events which would move the multilateral system forward to more liberalisation.

The Reagan Administration has already been holding talks with Canada and the countries of the Association of South East Asian Nations, spurred by a Congress increasingly worried about the $130bn (£103bn) trade deficit. The Administration wants to use liberalisation to head off congressional flirtation with protectionism.

But popular pressures work a different way in Europe. Most specialists believe that the EEC's collective approach will remain cautious at least until after the French elections early next year. The Reagan Administration carries Congress on its back. The trade liberalisers in the EEC, like the UK and West Germany, carry the French electorate.

So Mr de Clercq warns that "this is not the time to adopt a holier-than-thou approach" and "Gatt is not a forum for furthering narrowly conceived policy objectives."

Mr Murphy accepted that the U.S. does go around with a bible in one hand and a six-gun in the other. "To a degree this is true," he said. "The only logical alternative is to put down the bible and carry two six-guns."

Not true, riposted Mr. de Clercq. Why not two bibles?

West Germans, Swiss refuse to join $450m Argentine debt rescue

BY PETER MONTAGNON IN BASLE

WEST GERMANY and Switzerland have flatly refused to take part in the $450m (£355m) bridging loan being sought by Argentina to help pay off interest arrears on its $48bn foreign debt.

The position of the two countries was made clear in two days of sometimes heated discussion at the annual meeting of the Bank for International Settlements here.

Officials argue that Argentina has made itself ineligible for further government assistance because of its persistent failure in the past to get to grips with its economic difficulties. Also, they say, Argentina's debt problems do not pose a threat to the world financial system as a whole.

The open rejection of Argentina's request by two major European financial powers has come as a blow to its efforts to raise the credit which it had sought to portray as a significant international gesture of solidarity with its new-found democracy.

But central bankers here said yesterday the loan was still likely to go ahead with other countries arranging their contributions on a bilateral basis. Some, such as the U.S., Mexico and Venezuela, have already indicated their willingness to put up money.

Among other European countries, Holland is also taking a more conciliatory approach, largely because previous export credits to finance oil and gas pipeline developments have made the Netherlands the second largest official lender to Argentina after the U.S.

Though discussions continued among central banks after the BIS annual meeting ended here yesterday, it is now expected to take a few more days before the shape of Argentina's bridging loan becomes clear.

The country is seeking the money to finance a payment of some $600m in interest to commercial bank creditors which has to be made shortly to prevent its debt being officially declared "value impaired" in the U.S., forcing banks there to make loan-loss provisions.

Jamaicans promised no respite from austerity

Canute James on Kingston's efforts to revive a stagnant economy

FOR THE second time in as many years, Jamaica is to seek an agreement with its Paris Club official creditors, this time on refinancing $67m (£52.75m) in short term debt.

The negotiations will take place next month and will be followed, says Mr Edward Seaga, the Prime Minister and Finance Minister, by attempts at refinancing $93m owed to commercial banks and $29m owed to non-Paris Club countries.

Jamaica will need new and easier terms for repaying these parts of its $3.1bn foreign debt; repayments on principal and interest this year will account for J$1.9bn ($354m). Mr Seaga has forecast import earnings this year at $631m.

Mr Seaga, in presenting this year's budget to parliament last week, promised Jamaica's 2.2m people no respite from the pressures of the past two years.

The economy is stagnant and the immediate prospects are dim: GDP fell by 0.4 per cent last year, and Mr Seaga has forecast a 3.8 per cent fall this year.

Mr Seaga's objectives are straightforward: he wants to adjust the major pillars of the economy, to develop manufacturing and agriculture to support tourism and ease the heavy dependence on the bauxite industry, the most important leg of the economy.

The Prime Minister is also trying to reduce deficits in the fiscal budget and the balance of payments, and lay the ground for self-sustaining growth. The results, after four years are mixed.

The Government's policies, which have led to a 70 per cent devaluation of the Jamaican dollar in the past 18 months, inflation of 30 per cent last year and a projected 20 per cent this year, and continuing uncertainty within the local business community, have been under attack.

Mr Michael Manley, Mr Seaga's ailing political opponent and a former Prime Minister, says the Government's policies have failed.

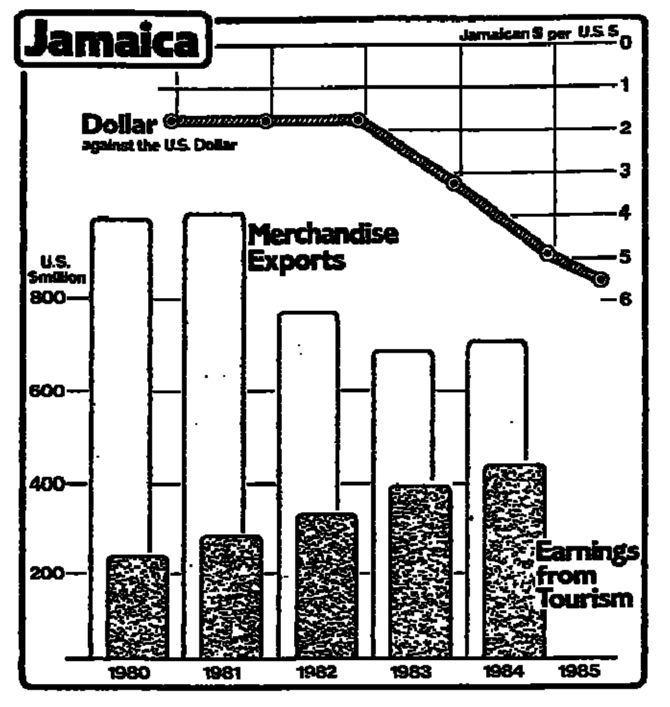
"Government had better be careful," says Mr Paul Thomas, deputy president of the Jamaica Manufacturers Association. "If prices, taxes and inflation get any worse, soon there will not be enough poverty to go around."

Mr Seaga remains unmoved: "The record of achievement for our strategy is here for all to see, but the greater part of these benefits are yet to come.

"The pain of the adjustment is being felt in full, not in part, and: now, not in the future."

It is a decline in demand for bauxite which has knocked the wind out of Mr Seaga's promise of 1980 when he took office, to rehabilitate the battered economy in three years.

Output fell from 12m tonnes in 1980 to 8.5m tonnes last year, and is expected to decline a further 2m tonnes this year. Earnings of $140m are anticipated this year, following $240m last year.



Agriculture recorded a 10 per cent growth but sugar and bananas, the main commodity exports, are performing below levels of five years ago.

The situation would have been worse if not for steady growth in tourism: gross earnings of $400m last year were marginally up on 1983 levels.

Mr Seaga says much of Jamaica's support from the international financial community is the result of his personal standing. This may explin, to some extent, continuing support from the International Monetary Fund, despite the economy's repeated inability to meet performance criteria.

The IMF grantedtwo waivers last year on a $143m credit package when the economy came up short in its net international reserves.

The IMF granted two waivers Seaga, to standby credits totalling $120m to be disbursed over 20 months starting in August. The World Bank has just given the island $55m to aid efforts at economic reform; these will be supplemented by $135m which the Government plans to borrow abroad this year.

Mr Seaga's task is, by any measure, Herculean. There has been success in one major effort at reform: the deficit in the fiscal budget was cut from 17 per cent of GDP to 7.2 per cent last year, but at the cost of increased taxes and 6,000 government jobs.

The Prime Minister says the target for this year is a deficit of 4 per cent. Most of the savings will come from further trimming of state sector jobs. Unemployment is officially put at 26 per cent. The projected deficit on trade this year is $466m, $24m more than last year.

The Prime Minister reports an improvement in the balance of payments, from a deficit of $312m

The "pain" which the Prime Minister admits is being felt by Jamaicans is the result of the social cost to the country's poor: electricity, water and telephone rates were increased between 114 per cent and 60 per cent last year.

The devaluations and higher import duties have led to repeated increases in the price of basic food: the national minimum wage is the equivalent of $9.45 per week, which will buy three chickens in the supermarket.

Trade unions, known for their militance, have so far accepted the Government's appeal for moderation. Such temperance may not last much longer.

The constabulary and nurses have rejected Government offers of wage increases well below the level of inflation. They have been less demonstrative than the teachers, who have not only rejected the offer but have given pupils unexpected holiday by holding sporadic one-day strikes.

The People's National Party, led by Mr Manley, and which is no longer the official opposition after refusing to contest the last general elections a year and half ago, has also been staging public demonstrations to accuse the Government of mishandling the economy and calling for an election.

The situation has depleted Mr Seaga's political stock: public opinion polls four months ago put the ruling Jamaica Labour Party well behind the PNP in popular support.

This has not dented Mr Seaga's optimism: "We expect to achieve positive economic growth by 1986. That is if there is no more slippage."

That is a bold hope for an economy painfully balanced between sure ground and a quagmire.

World Bank to guarantee commercial loans for Chile

CHILE HAS overcome U.S. opposition to a plan to attach World Bank guarantees to some of the loans it is seeking from its commercial bank creditors to meet external financing needs for this year and next, according to central bankers attending the Bank for International Settlements annual meeting in Basle, *Peter Montagnon reports.*

But the amount of such financing is now likely to be limited to $150m (£118m) rather than the $250m originally sought.

This will necessitate an increase in the planned unguaranteed portion of the commercial bank credit from $800m to $950m, they said.

Details of Chile's new financing package are to be discussed again at the end of this week at a meeting of leading bank creditors chaired by Manufacturers Hanover in New York. The meeting, which could last several days, is expected to set final terms on the deal.

The adoption of the World Bank guarantee scheme marks a new departure in dealing with the debt crisis, as it will be the first time that fresh loans from commercial bank creditors have carried any official guarantee.

But in dropping its opposition, the U.S. has insisted that the scheme is not presented as setting any precedent for other countries.

Chile is seen as a special case because payments problems have persisted, despite its strict adherence to IMF adjustment programmes. This is mainly due to the weakness of the copper price, which is a factor outside the country's control.

AMC threatens to bring in imports

By Terry Dodsworth in New York

FORMAL negotiations on a new wages contract at American Motor (AMC), the U.S. affiliate of Renault of France, began in Chicago yesterday as the president of the company threatened to replace American-made models by imports if necessary.

In a newspaper interview, Mr Jose Dedeurwaerder, who took over as president of AMC last year, said that the company believes its labour costs must match those of the Japanese companies building cars in the U.S. AMC would lose at least as much money in the second quarter of this year as in the first, he added, when it had a deficit of $29m (£23m).

Mr Dedeurwaerder's remarks emphasise the company's determination to reduce its labour costs at its Wisconsin carmaking plants, where it claims that its 6,000 workers are the best paid in the U.S. motor industry.

The negotiations began after weeks of wrangling over the issues to be discussed. The company had initially insisted upon the union's agreement to a list of tough preconditions for talks, including an immediate wage cut, a reduction in annual paid holidays and other concessions.

In agreeing to the negotiations, AMC appears to have given some ground on these preconditions, but it has nevertheless presented a major discussion document to the union which will involve talks on most of the items at issue between the two sides.

At the same time, the company is forcing the union to negotiate with the threat of closure hanging over the two Wisconsin plants at Kenosha and Milwaukee.

Stockman says deficit may be up on forecast

MR DAVID STOCKMAN, the U.S. Budget Director, said the prediction for the budget deficit in fiscal 1988 may be some $50bn to $70bn (£39bn-£55bn) above the forecast in the Senate's budget plan, Reuter reports from Washington.

He told the American Stock Exchange Conference that a prediction of the 50 leading economists in the country, known as the Blue Chip forecast, had showed the increase over the Senate resolution, which had put the 1988 deficit at $104.3bn.

Mr Stockman also said the Congress was "just about running out of legislative time" to take meaningful action on the structural budget deficit.

Commenting on the Blue Chip forecasts, Mr Stockman pointed out that economic growth has averaged 2 per cent over the past four quarters, including the second quarter 1985 just ending.

These developments make the House and Senate predictions of 4 per cent economic growth in the coming year less secure, and he warned the size of the necessary deficit reduction could rise as a result.

● Treasury Secretary, Mr James Baker, says the Administration expects economic growth to pick up in the third and fourth quarters of this year.

"The Federal Reserve began to accelerate the money supply growth a few months back and the effect of that on real economic activity should be felt soon," Mr Baker said in remarks prepared for delivery here yesterday to the Amex conference.

Sarney backtracks over Brazilian land reform

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE SARNEY Government in Brazil, shocked by the hornet's nest of protest and violence stirred up by its ambitious, recently unveiled land reform proposals, is hastily backtracking from what would have been the first real test of its reforming intentions.

Two weeks ago, amid much fanfare, the Government announced that over the next 15 years it aimed to provide some 7.1m landless farmers and rural labourers with their own land.

The announcement simply confirmed an election campaign promise made by the then opposition Democratic Alliance. Nor was anything particularly radical being proposed—a far-reaching agrarian reform act has been on Brazil's statute book since 1964, but never implemented.

The announcement of the National Agrarian Reform Plan acted as a starting pistol for tens of thousands of squatter farmers and their families to invade disputed land. Santa Caterina and Parana states in the developed south and the wild frontier regions of Goias and Para, in the north of the country, have been at the centre of the disturbances.

In response, the big landowners have been taking on the hired gunmen traditionally used in Brazil to sort out land conflicts.

Faced with such an unexpectedly strong reaction, the Government has clarified that any land reform measures will only be applied to uncultivated land, as opposed to farm land already in use. It is likely to benefit only about 100,000 farmers in the next 12 months.

UK NEWS

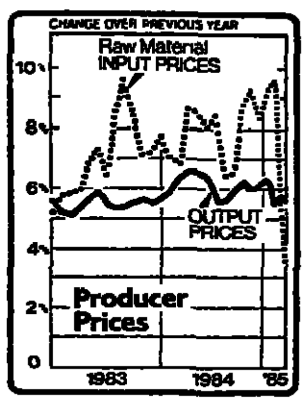
Rise in industry's costs lowest for four years

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE PRICES paid by industry for raw materials and food rose by only 3.6 per cent in the 12 months to May, according to official figures out yesterday.

The rise, which was the smallest since early in 1981 was less than half the average rate of increase last year and compares with a rise of more than 9 per cent in the first quarter of this year compared with 12 months ago.

This substantial easing of inflationary pressure reflects the 12 per cent appreciation of the pound since its nadir at the end of January.



It will give further encouragement to the Government that the inflation rate measured by the annual increase in retail prices will fall from the present uncomfortably high figure.

This was 6.9 per cent in April, and the May figure, to be published on Friday, is likely to show inflation at more than 7 per cent.

However, the Treasury has insisted that this rise would be temporary, as it reflects the earlier fall of sterling during 1984. It is still sticking to its forecast that inflation will fall to 5 per cent by the fourth quarter of the year.

The view that the inflation rate will moderate later this year is supported by most outside commentators and by the results of the latest Confederation of Britain Industry survey of manufacturing industry.

UK inflation prospects have also been helped by the weakness of world commodity prices. Latest estimates by the International Monetary Fund in Washington suggest that in dollar terms world commodity prices in the first quarter of this year were 3.3 per cent lower than in the fourth quarter of 1984, and nearly 9 per cent lower than their level a year earlier. Although there was a slight rise in April, prices were still below their level in the closing months of last year.

In sterling terms, world commodity prices in April were about 3 per cent lower than in February but 1.5 per cent higher than the first quarter of 1984.

Yesterday's figures from the Department of Trade and Industry showed that the index for the price of materials and fuels, bought by manufacturing industry, fell by 1.1 per cent between April and May, bringing the 12 month increase in the index down from 5.2 per cent to 3.6 per cent. More than half of this fall was the result of lower prices for food materials.

The rate of increase of industry's selling prices was fairly steady at 5.6 per cent in the 12 months to May compared with the 5.7 per cent recorded in April.

The rise in the wholesale price of manufactured goods apart from food, drink and tobacco was also little changed at 6.4 per cent in the 12 months to May.

Spending in shops close to peak level

By Philip Stephens

BRITAIN'S spending boom in the shops shows no sign of slowing, with retail sales last month climbing to the second highest level on record.

The Department of Trade and Industry said yesterday that the volume of retail sales rose by nearly 1 per cent in May compared with the previous month, to stand 4 per cent higher than a year earlier. Officials said that the increase was spread broadly across the monitored sectors.

The figures confirm a general upward trend in sales since the early part of the year.

Over the past three months, the volume of retail sales was 1 per cent higher than in the previous three-month period and 5 per cent above the same 1984 period.

The buoyant trend partly reflects the fact that earnings are still running well ahead of inflation, despite the recent acceleration of price rises. A number of special factors – including tax cuts in the budget last March, the ending of the miners' strike and public sector pay awards – may also have boosted spending last month.

Acorn may sell some subsidiaries

BY JASON CRISP

ACORN, the troubled UK home computer group rescued this year by Olivetti, is to make further job cuts and may sell some of its subsidiaries because of a renewed financial crisis.

Since the financial rescue in February, Acorn's trading position has deteriorated, putting further pressure on its cash flow. As a result, Acorn may try to renegotiate terms with its bank and creditors.

The company is now finding it very difficult to make the staged repayments to its creditors that were *agreed at the time of the rescue*. Acorn's largest creditor is A. B. Electronics.

Acorn, which makes the BBC Micro computer, has seen a significant fall in sales this year compared with last. The reduced business is affecting Acorn's borrowing limit with Barclays Bank, which is based on a formula that includes minimum levels of stocks and debtors.

The company is expected to lose another 70 or 80 jobs by the beginning of July. The company at present employs 350 people, compared with 470 at the beginning of the year. A further 20 to 30 are scheduled to leave in the next few weeks. Acorn plans to cut staff to 250 through further redundancies and *disposals*.

In addition to selling its stakes in Torus and IQ Bio, the Acorn board is considering selling Acornsoft, its software subsidiary, Laserdrive, a joint venture with BSR, and Acorn Video, which was set up last year to develop interactive videodisc systems.

The move is to concentrate on Acorn's main activities of selling computers for home and education and developing systems for business and scientific use. The company emphasised last night that it was not making any cuts in the development of its basic products.

Last week Mr Alex Uboldi, a senior executive at Olivetti, the Italian office products group, was ap*pointed acting managing* director of Acorn. The appointment was made after the company failed to find a suitable outside chief executive.

Dr Alex Reid, chairman and acting chief executive, has also agreed to stay on at Acorn for another four months because of the worsening situation. Dr Reid said Mr Uboldi's appointment did not reflect a tightening of control by Olivetti, which bought a 49 per cent stake for £10.4m earlier this year.

Acorn's renewed difficulties will not help Sinclair Research to seek the £15m it requires to ease its own financial crisis. Acorn has been affected by the weak state of the British market and is not yet benefiting from the marketing arrangements with Olivetti.

The Italian group is expected to sell the well regarded BBC Micro in other countries but has not placed any significant orders with Acorn.

Systime sued by U.S. company for £5m

SYSTIME, the computer group, is being sued by Digital Equipment of the U.S. for £5m for the alleged illegal copying of printed circuit boards, writes Jason Crisp.

Systime, once partly owned by the now defunct National Enterprise Board, was taken over by Control Data of the U.S. earlier this year after getting into severe financial difficulty.

In addition to taking legal action against Systime, DEC has also refused to renew its "original equipment manufacturer" agreement with the company. Systime, which sells mini-computer systems based on DEC equipment, will no longer be entitled to discounts of 30 per cent to 40 per cent.

Systime said last night that it would be defending the action vigorously and planned to file counterclaims in the near future. The company also said that it had been reducing its dependence on DEC equipment. Just after CDC took a controlling interest Systime launched two small computer systems

DEC's legal action follows the failure to reach an out of court settlement. The dispute dates back to March last year when DEC discovered several printed circuit boards which it alleges infringed its copyright in design. The boards were discovered when they were returned by customers.

DEC first issued a writ last July. It is seeking payment of damages for sales of the PCBs over the last six years.

DEC also claimed that its proposals for an audit to establish the full extent of Systime's alleged infringement had been rejected.

Systime said last night that existing customers would still be covered by maintenance agreements between Control Data, its parent, and DEC.

MPs give warning on defence budget

BY PETER RIDDELL, POLITICAL EDITOR

THE DEFENCE budget is likely to decline in real terms in the next few years with increasing pressure on overall capabilities, the defence select committee of the House of Commons warned yesterday.

The report, on Britain's defence commitments and resources, was published ahead of the two-day Commons debate on the defence estimates starting tomorrow.

The cross-party committee warns that the future defence budget may fall substantially short of the resources required to maintain capability and to meet commitments.

The report suggests that on certain assumptions defence spending in 1987–88, excluding the Falklands, will be 6.1 per cent lower in real terms than the 1985–86 budget.

The repeated view of Mr Michael *Heseltine, the Defence Secretary*, that there is no immediate need for a major defence review is challenged. The committee fears that "the cumulative effect of managing the defence budget in the manner endorsed in the White Paper (policy document) may result in a defence review by stealth."

Commenting yesterday on the committee's report, Mr David Steel, the Liberal leader, argued that the Prime Minister's "delusions of grandeur on Trident (nuclear missile system) will be paid for by the neglect of Britain's real defences." He urged Mr Heseltine to undertake a fundamental review now.

The defence committee is sceptical about how much saving will be produced in the short-to-medium term through improvements in efficiency, increased competition in the placement of contracts, collaboration and flexible planning.

The MPs consider that possible *savings will not be enough to avoid* slippage of programmes and deferment of the dates when equipment comes into service.

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Welsh miners face loss of 1,800 jobs

By Robin Reeves

THE NATIONAL Coal Board (NCB) told Welsh miners' leaders yesterday that it wants a cutback of 1,800 jobs in the South Wales coalfield *over the next 18 months*. The coalfield employs about 19,500 miners.

However, an expected list of South Wales pits, which the NCB proposed to put into the colliery closure review procedure, failed to emerge during a joint management-union review of the coalfield's prospects in the wake of the year-long miners' strike.

The figure of expected job losses was given by Mr Emlyn Williams, the South Wales miners' president, after the meeting.

UK NEWS

BRAZIL EMERGES AS FORCE TO SHAPE WORLD MARKET

Paper industry faces slowdown

BY ANDREW FISHER

THE SLOWDOWN in growth prospects for world paper demand and the sizeable growth of the pulp industry in Brazil were two of the key themes tackled by speakers at the two-day Financial Times paper and pulp conference, which began yesterday.

Weak economic progress in Western Europe in the next two years is expected to lead to a drop in a demand for paper, said Mr Martin Glass, market planning manager of ECC International, part of the English China Clays group.

Already, growth in demand was slowing down this year after an excellent 1984. Total printing and writing paper consumption in Europe was up by 9 per cent last year, partly due to a sharp rise in stocks. This year's rate is likely to be only 3 per cent, depending on stock movements.

After the forecast declined in 1986 and 1987, "the recovery phase is predicted for 1988, with a good growth year again in 1989." The average growth rate for paper consumption in Western Europe between 1985 and 1989 would be around 1.5 per cent a year.

He predicted that over-capacity would continue to be a feature of the industry. "It is almost a natural and arguably an essential condition for a healthy, growing industry in a free market environment." The problem, he added, was not how to avoid over-capacity, but "how to live with it."

Nearly 1.9m tonnes of new capacity was likely to be installed in Europe between this year and the end of 1987 in the form of new plant or major expansions of existing factories. Almost half of this would be in 1985. The additions did not include productivity improvements to the present 16m tonnes of capacity, which have generally added an extra average 2 per cent annually to output.

Over the whole of the five years to 1989, the EEC was forecasting only a 1m tonne rise in paper consumption in Western Europe. But European producers' competitiveness would be affected by the dollar exchange rate, as well as by demand patterns. U.S. producers are also building new capacity.

Last year, aided by the strong dollar, the European industry's exports to North America totalled 1m tonnes, far more than the 114,000 tonnes sold there in 1981. Total exports worldwide from Europe reached a record 2.2m tonnes last year against 1.4m in 1981.

But the thriving export trade with North America, now taking half of Europe's paper exports compared with 10 per cent in 1981, would not be repeated for some time after this year, Mr Glass said, especially since the dollar was widely held to be overvalued.

Another of yesterday's speakers, Mr Jan-Sture Enander, executive vice-president of Svenska Cellulosa (SCA) of Sweden, outlined the consequences of lower demand growth and ways in which companies could deal with this. Like Mr Glass, he thought the modern electronic office enhanced rather than eroded demand for paper.

"Existing and new electronic technology won't have any decisive impact on paper consumption for the rest of this century," he stated. "During the next few years, office automation will tend to stimulate a fairly large rise in printing and writing paper consumption because of the increase in information and its distribution which will still be on paper."

But overall, conservative estimates for future growth in the paper and board markets indicated it would be no more than 2 per cent a year. Since the total world market had expanded, volume growth would still be high – about 45m tonnes in both the 1980s and 1990s.

This, said Mr Enander, corresponded to an annual rise in consumption of some 4.5m tonnes, or between 20 and 30 large paper machines a year. "There is still plenty of growth potential in the pulp and paper industry." Global consumption of both newsprint and packaging materials would show sustained growth.

The need for cost efficiency, however, was becoming more important. "In real terms, costs must not move above their present level." It would be preferable if they would fall slightly as has tended to happen since the early 1960s.

Mr Enander also believed that, apart from efforts to save costs by individual mills, "each region should identify and focus on the product area in which it enjoys the maximum comparative advantage."

He described SCA's own efforts to shave costs in wood, energy and labour. Through concentrating products such as newsprint which did not use so much wood, the Swedish group had reduced wood consumption per tonne of output by about 25 per cent over the past decade.

SCA had also been using more recycled fibre in its board production. As for energy savings, one pulp mill had cut its oil use per tonne of output from 210 litres at the turn of the 1980s to 40 litres. The actual cost had gone down from $57 to $17 per tonne.

Savings on labour costs had also been made by concentrating on fewer production units, and using high technology. But high capital costs would mean that most of the industry's future growth would come through modernising existing plants rather than building brand new capacity.

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Describing prospects for the pulp industry in Brazil Mr Erling Lorentzen, president of Aracruz Celulose, said it would have to compete for capital with other priority needs in a country so short of capital. But, he commented, "I have no doubt that we will come out ahead in the competition for national or foreign capital."

Last year, he said, Brazil exported some $760m worth of pulp and paper and was the largest exporter of hardwood pulp into a world market where use of eucalyptus pulp had grown faster than any other kind of fibre. He said he was confident that use of eucalyptus pulp would continue to grow.

Real productivity per hectare had grown by 135 per cent in just over 10 years. Aracruz now produced 18.5 tonnes of pulp per hectare of forest each year against around 1 tonne per hectare in Scandinavia, the northern U.S. and Canada.

Also highlighting the position of Brazil was Mr Willi Klein-Gunnewyk, president of PWA Papierwerke Waldhof-Aschaffenburg of West Germany. Pulp from Brazil would grow to a market size which would determine the shape of the world market and become a serious challenge to producers in Scandinavia and Canada.

There would also be more integration in the Brazilian industry between pulp and paper production, he forecast. "In the 1990s, Brazilian paper machines will have reached the same international standard as have the pulp mills today."

Focusing on the forthcoming membership of the EEC by Portugal and Spain, Dr Antonio Celeste, chairman of Portucel Empresa de Celulose e Papel de Portugal, said new market opportunities would develop as a result.

Rising production of eucalyptus pulp in the Iberian peninsula had led already to increased sales to EEC paper producers without their own integrated source of pulp supply. "We anticipate that in 1985, 75 per cent of the bleached eucalyptus pulp used in the EEC will be produced in Portuguese and Spanish mills."

Two executives from the worlds of newspaper and newsprint, Mr Frank Barlow, chief executive of the Financial Times, and Mr John Kila, president of Chapelle Darblay of France, described what they saw as the buoyant outlook for the industries.

Newspapers, said Mr Barlow, were not in danger of being displaced by new electronic media. "Although many newspaper companies will allocate considerable resources to the new electronic information dissemination systems, the printed newspaper will remain the mainstay for a very long time to come."

Newspapers had advantages over electronic media – ease of scanning, speed of access, portability, random access and a permanent image. "In this age of the electronic media, in the United States of America, newspapers are booming with record circulations, record advertisement volumes, record paging and record profits. The combined circulation of the national dailies in Britain is as high as it was 20 years ago."

Satellites would bring enormous benefits, although cost was still a problem outside the U.S. Full use of satellite services posed a threat to governments' telecommunications revenues and also allowed an unrestricted flow of information. Thus, he thought, "communications technology will have a bigger impact on media than any other factor."

Mr Kila of Chapelle Darblay said the newsprint market had grown slowly over the past 10 years or so, and expected a fairly healthy rate of some 2 per cent a year in Europe for the rest of the 1980s. He argued that cost advantages in raw materials and freight justified investment in European mills, such as in France, outside the Nordic area.

UK NEWS

Court approves Bank's plan to restructure JMB

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE FINANCIAL year of Johnson Matthey Bankers (JMB) is to be extended for three months until June 30 to allow a recapitalisation by the Bank of England to take place and avoid the need to show a deficiency of capital in the balance sheet.

JMB's directors are concerned that, if accounts are sent out which look "unusual," customers will take the conservative course of withdrawing business.

The banking supervision division of the Bank of England is satisfied that after the proposed recapitalisation the company will be adequately capitalised for the supervisory purposes of the Bank.

The first stage in the recapitalisation of JMB, which was rescued by the Bank of England last autumn, was approved by the High Court in London yesterday.

The court sanctioned the reduction of the company's capital from £75m to £100 by the cancellation of 59,999,900 £1 shares held by Securities Management Trust.

Miss Mary Arden, counsel for JMB and the Bank of England, told Mr Justice Vinelott that capital of that and upwards had been lost or was unrepresented by available assets.

After the reduction, the Bank of England would inject £100m into JMB – £75m by way of equity capital and £25m loan stock. Immediately after that, the Bank of England would be repaid the £100m it deposited with JMB in November.

Miss Arden said that JMB would continue to be a recognised bank.

Mr Rodney Galpin, executive director of the Bank of England, who became chairman of JMB last October, said in written evidence that JMB's directors were satisfied that, after the recapitalisation, the company would have sufficient capital to continue its activities on their current scale.

The intention, Mr Galpin stated, was to sell JMB – which at the moment is a wholly owned subsidiary of the Bank of England – "as soon as reasonably practicable."

Mr Galpin stated that, at March 31 this year, JMB had "negative net assets" of £24.7m. Twelve months earlier its net assets were £81.9m, of which £60m was share capital and £21.9m reserves. Since then a £50m contribution from its former parent, Johnson Matthey, had been added to the reserves.

Mr Galpin stated that the reduction in assets had been caused by losses in JMB's loan portfolio, necessitating the making of additional provisions against bad and doubtful debts, totalling £225.1m.

The view of JMB's directors was that the losses had arisen from imprudent lending, he said. "The company's loan portfolio does not contain the necessary spread of risk and the losses relate in particular to an over-concentration of injudicious loans to several separate sets of connected borrowers."

Various banks, including the Bank of England, had agreed to indemnify JMB against certain losses. But amounts receivable under the indemnity could never cover the total of the provisions against bad and doubtful debts.

Those provisions caused an £84.7m deficit on reserves at March 31 this year, which would be written off on the cancellation of the £59,999,900 share capital.

Mr Galpin stated that in the subsequent recapitalisation, the Bank of England would inject £75m – of which £25m would be redeemable by installments in 1993, 1994 and 1995 – and subscribe for £25m of subordinated loan stock.

There were two reasons for the whole exercise. As presently capitalised, JMB did not comply with the Bank of England's prudential ratios, he said.

Second, JMB's directors did not believe it would be in the company's interests to produce audited accounts showing the present capital structure, which did not reflect the company's true position, given the Bank of England's expressed intention to stand behind it.

TVR plans increase in sports car output

BY JOHN GRIFFITHS

TVR, the sports car manufacturer, plans to expand its production significantly, reflecting a change in its business strategy.

It should result in TVR, which has been working a seven-day week for the past 18 months, increasing output of its £15,000-plus sports cars to between 800 and 900 a year, accompanied by a rise in its workforce to about 160.

TVR – which is based in Blackpool, north-west England – for many years had followed a policy that, because of the cyclical and volatile nature of sports car markets, it would maintain a production ceiling of about 500 cars a year and a workforce of about 100. That, it was reasoned, struck a balance allowing it to cope with peaks and troughs in demand, without either layoffs in recessionary periods or excessively long delivery times when demand was high.

However, the level of demand from a number of diverse markets during the past 18 months has already seen that policy undergo change. TVR so far has responded to the higher demand, without new capital investment, by extending the working week and increasing employment to about 130. Mr Stewart Halstead, managing director, said yesterday the company believed it could now push ahead with expansion without being excessively vulnerable in future downturns.

"The days of putting a ceiling on production are gone," he said. "In future, if a soundly based market indicates a production requirement of even 1,500 cars a year, then we would be prepared to do 1,500 cars.'

The company has had so far unsuccessful negotiations with local authorities on a big new complex at Blackpool, and with French development authorities on a possible additional assembly plant in France.

TVR is also expanding its operations in the U.S., where its importer has moved its distribution centre from Jacksonville, Florida, to larger facilities at Milford, Connecticut.

The lease on the Jacksonville premises has been sold to another UK car concern, Panther Cars, which is in the process of setting up a U.S. network of 210 dealers by the autumn.

Mark Meredith in Edinburgh adds: Alfa Romeo, the Italian car manufacturer, is to supply engine parts and handle distribution of a new sports car to be produced this summer by AC Scotland, a Glasgow-based speciality automobile producer.

Mr David Macdonald, managing director of AC Scotland, said that, under a joint agreement, his company would buy in over £2m in parts from Alfa Romeo. In August the company plans to begin production of its new Ecosse series.

Financier attacked

BY OUR LAW COURTS CORRESPONDENT

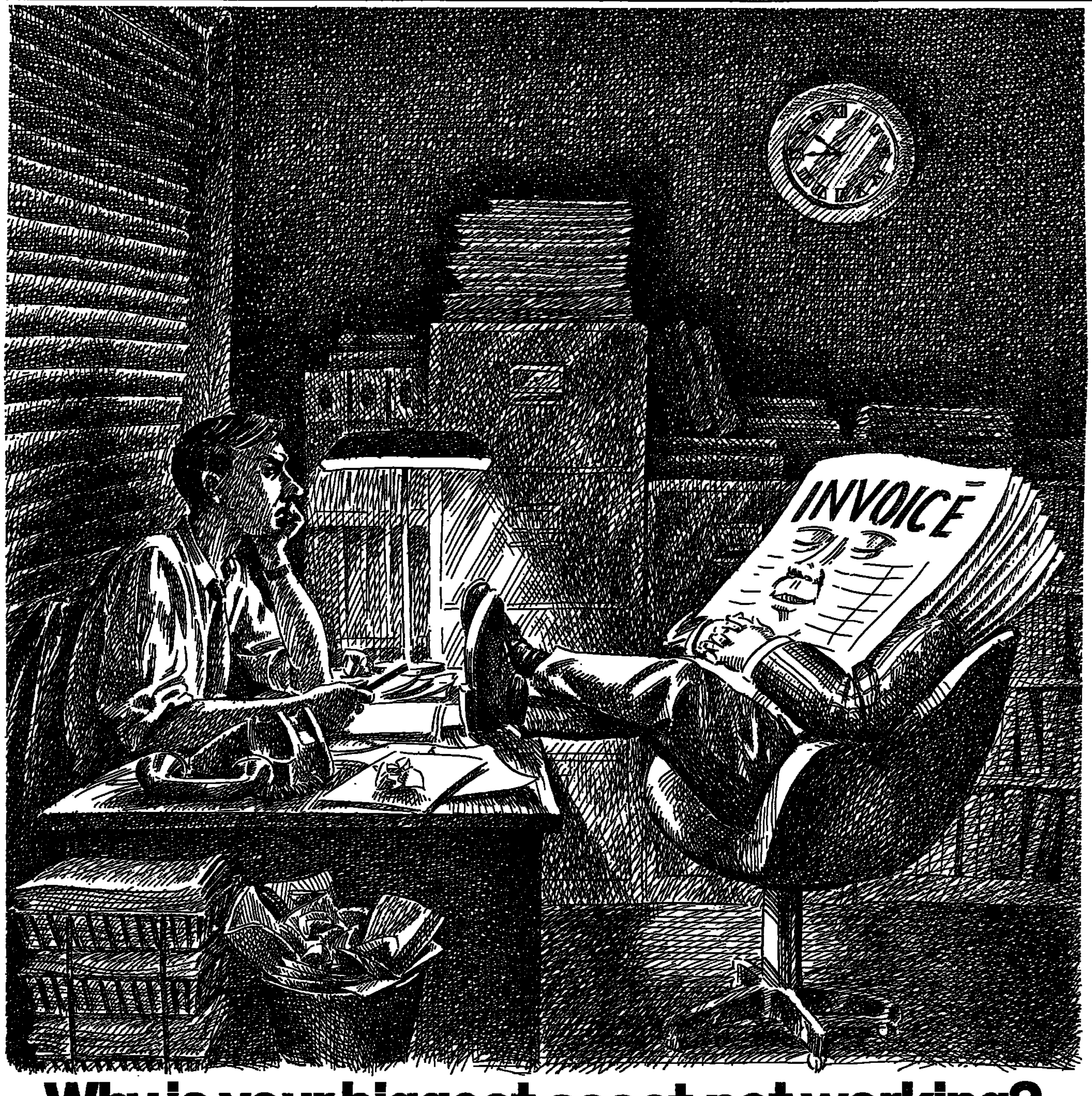
MR ALEX HERBAGE, an international financier, was attacked by two men as he left the High Court in London yesterday.

An eyewitness said that the men "ran up and gave him a good beating before he went to the ground. They started to kick him while he was down but some men pulled them off."

The incident occurred after a private court hearing at which a judge lifted a court order preventing Mr Herbage removing any of his assets from the UK or dissipating assets in the UK.

The order had been granted on March 20 to Interconsult, a Dutch company which has lodged a £6.3m personal bankruptcy petition against Mr Herbage on behalf of more than 400 investors with claims against Mr Herbage's company, Caprimex. The petition is based on two judgments by a Rotterdam court against an Amsterdam-based Herbage company.

Caprimex, a Cayman Islands company, was compulsorily wound-up by the High Court last month when the court was told that claims exceeding £300m were being made against Mr. Herbage and offshore funds companies associated with him.



UK NEWS

Cutlery companies reap the rewards of cautious policies

Nick Garnett examines the reasons why some ambitious cutlery companies have failed and smaller more conservative ones have tended to prosper.

AMBITIOUS COMPANIES with relatively large investment and marketing programmes in the British cutlery industry have tended to fail in the past 10 years, while conservative, low-spending, family-run businesses have usually survived, a research report published today says.

"Decline and Survival in the UK Cutlery Industry," produced by the London Business School's Centre for Business Strategy, covers the business performance of 33 cutlery companies since 1974. A third of those companies have ceased production in Britain, although some of their brand names remain.

The report is not making a blanket statement that it is bad strategy to invest in new machinery or seek new markets.

"What we are saying is that business performance is not just a question of capital investment but also of management of the resources of a company," says Dr Rob Grant, the report's author.

"High cash spending increases a company's vulnerability where the company has limited resources and the profit margins are small. The value of the pound and the rise in interest rates from 1979 probably sent some companies, which had invested and which would have otherwise survived, to the wall."

One of the report's conclusions is that competitiveness would be improved by the industry taking collective action on promotion, quality standards and marketing, but that has been thwarted up to now by the "aggressive independence" of companies.

Another conclusion is that the scope for adjustment by small companies is particularly limited when facing high penetration by low-cost foreign producers.

The report covers only the period from 1974, since when the cutlery industry's employment has dropped from about 15,000 to 7,000 and output halved. Much of the industry's shrinkage actually occurred before 1974, under the weight of low-cost foreign producers, mainly in the Far East.

Of the four largest companies in 1974 three – Viners, Hawker Morris and Richards of Sheffield – went into receivership. Other failures or manufacturing plant closures included those of J. Billam, Sheffield Metal, Old Hall and Mappin and Webb, although some of those continue as brand names.

Mr Bryan Upton, managing director of Westall Richardson, a successful Sheffield kitchen knife maker, said the underlying problem was that companies in flatware (spoon and fork) manufacturing had not invested early enough in the 1960s and 1970s, when the Far East emerged and grew as a low-cost producer, and that some of the investment had been poor.

"I have seen flatware manufacturing so automated in Japan that people do not lay a hand on it during production. You cannot blame cheap labour in this case because Japanese labour rates are if anything slightly higher than here."

The London Business School report makes three points.

● On investment, it says that capital expenditure failed to improve profitability largely because falling sales prevented companies from utilising modern equipment at economic levels.

● The costs of brand promotion, and investment in department store concession shops, involved expenditure beyond the resources available to most firms.

● The small size of the high-quality cutlery market prevented up-market movement by cutlery firms as a method of improving performance.

The report singles out a few notable exceptions to such recent history, including Westall Richardson and Slack and Barlow, which makes silver-plated cutlery. Those have combined profitability with strong sales growth, the report says.

It argues that the most profitable companies have been those that operated in market sectors where low-cost import penetration was poorly developed, achieved higher operating efficiency and limited expenditure on brand marketing and distribution.

The one particular exception to that is Westall Richardson, which operates in a market where import penetration from the Far East has been low, but which has managed to link expansion and aggressive marketing with manufacturing skills

THE ARTS

Sculpture/William Packer

When art loses out to design

Michael Sandle's "Proposal for Euston Road No 2 (1985)."

Sculpture in this country, against all likelihood, continues to flourish, though for how long is another question altogether and one that is given more urgency by the latest access of false economy within the Department of Education and Science.

Some of it is known well enough and certainly should not surprise us; since the false dawn of putative reform and encouragement in the early 1960s, our art schools have been consistently and cynically betrayed by every government. Meanwhile—we told you so—successive generations of our graduates in every one of the disciplines of design have been snapped up abroad to fuel our foreign competition, and only now does the penny drop. Or does it? Has it fallen heads or tails? Peering down into the long grass, our wise Masters read only the word Design and forget the Art inscribed so deeply on the other side of the coin.

There is a need for the most insistent repetition: art and design are necessary complements, for art sets out the contract and conditions within which design may flourish; not just in terms of style or manner but in the fundamental habit of creative freedom and adventure and radical thought. In short, design without fine art cannot flourish as true design at all in any broader sense; so it was good indeed, in this season of graduation exhibitions everywhere, to hear the rector of the Royal College of Art (the standard-bearer of the Government's renewed, some might say belated, policy of commitment to education in design) nail the heresy of division by giving his own unequivocal support to the central position that fine art rightly occupies in the business of his own institution.

We can only hope he will be allowed to stand by his word, for there was no doubting his intention. But we live in cost-effective times when vocation is all and designers are seen to be the ones who get the jobs (albeit abroad) with artists a likely burden on the state. The measure of the Government's own commitment is that, yes, of course, industry and commerce must be encouraged to do all they can and more (though they have never done very much, in all conscience) to make use of this wealth of talent that our schools of art turn out year after year. And, yes, of course, the latest directive is that those schools of art are to be squeezed b;; a further 23 per cent, with the departments of fine art to be given not even parity in this meagre dispensation.

Our treatment in this country of current visual art has usually been negligent where it is not ignorant, and now it would appear to be stupidly self-defeating as well. The occasion of the rector's refarks was a dinner given by his sculpture school for as lively a batch of graduating students as one could hope for: Nicola Hicks, with her contribution to the Hayward Annual to bear in mind, outstanding with her mixed-media menagerie; Martin Ives, with his strange shaved-leaf tree trunks; Gina Martin and her magic groves and traps and totems; and Melvyn Rodda, with his elegantly resolved fragmentary assemblages. All are notable, but they must wait another turn; for the point here is not so much to celebrate yet another new wave of young British sculptors, excellent though it is, as to remark the extraordinary continuity of success.

Ever since the war, the new British scuplture (in its successive manifestations) has been the common-place of international interest and approbation. And is no accident at all, but a function of the same native creative energy and distinction, that such success in one of the prinicpal fields of fine art activity should have marched over so many years with the success abroad of our applied design.

It so happens that three of the more distinguished and successful of our middle generation of sculptors are showing their recent work in London; and again it is no accident that they are hardly public figures, nor that one of them should now make his life abroad. Michael Sandle (at Fischer Fine Art until June 21) is the incumbent professor of sculpture at the Akademie der Bildenden Künste in Karlsruhe; and, more and more, his work seems to be rooted in the experience of his self-imposed exile, with all the shifts and nuances of memory and attitude and cultural predisposition that it entails.

Sandle is a wry observer and a dispassionate and somewhate black ironist, ever preoccupied with the common experience and receding memory of World War II as seen from his unique position. The memorials he makes are oblique and ambiguous in their implication and affiliation, dwelling not so much on the horror as on the implacable fact of war.

The more recent work is more abstract and general in its symbolism, though memorials still—to the victims of a helicopter crash in Mannheim; to George Orwell a whole series of competition maquettes; and maquettes, too, for a nameless project in Euston Road, London, redolent of receiving stations, satellite dishes and cosmic messages from outer space.

He is also showing a number of large and splendid new watercolours that are now handled more freely than before, though as dense in imagery and full of foreboding as ever; images not now of submarine pens and bomber aircraft but of material dumps on fire, volcanoes blowing up, and a tank in flames with the black cross of the Wehrmacht on its side. But there is more to it all than particular mayhem, something less specific and limiting. For we may catch a whiff also in both sculpture and painting, of another age, a sense of something neo-classical in the formal disposition of the imagery and the monumental ambition, and a nobler, more Roman resignation. This is the stuff not of an immediate disaster but of the long aftermath and selective memory; not Hitler squalid in his bunker but Napoleon on St Helena and a grander, if flawed, idea.

I shall not say too much of the other two artists, Barry Flanagan (at Waddington until June 22) and Richard Long (at Anthony d'Offay until June 29), other than to recommend them to you, for I have written about them several times before and at some length, and both their shows consolidate rather than challenge their established positions. Flanagan, especially, seems presently bound up with fey and teasing variation upon his animal familiars, his hare dancing upon the elephant's head: but his simpler pilgrim motif, linear symbol or badge more than actual image, is an elegant and poetic development, however familiar the hoops it also must jump through.

Finally, a word on an admirable collaboration between two disparate institutions of higher education. The sculpture school of Kingston College of Art now has an arrangement by which the work of those associated with it is given regular exhibition space and time in the courtyard of the new buildings of the London Business School in Regent's Park.

This time the work is not out in the open, but under the arcades: four primitive, somewhat Polynesian mask-like heads by David Mach, made of matchsticks that once were red and blue but are now seared and scorched by their firing; and four small bronze reliefs by Colin Nicholas, that might be strange trophies or votive objects for all that they are cast from modified squeezie bottles and plastic cups. All in all, there might be hope for us yet.

Auctioning Aldeburgh

Antony Thorncroft

The Aldeburgh Festival opened at the weekend and, as Max Loppert reported, there is a feeling of confidence and optimism in the bracing Suffolk sea air. Sir Peter Pears is still there, keeping a kindly eye on the festival he started with Benjamin Britten 38 years ago; but, remarkably, the decision to have nine artistic directors—including such youngsters as Oliver Knussen, Murray Perahia and Simon Rattle—seems somehow to provide intellectual stimulation rather than contradiction.

Like most festivals there is talk of money (or, rather, its absence), but Aldeburgh is not a whinging place. The long public inquiry into the Sizewell nuclear project, which commandeered the Maltings, provided some useful revenue, and the popularity of the festival ensures a good box office return—more than three-quarters of the running cost will be covered, remarkable for a festival that positively embraces challenging new music.

But Aldeburgh is still looking for cash to achieve its £1m appeal to provide an assured income for the Aldeburgh Foundation, which runs intensive training courses for aspiring professional singers through the Britten-Pears School. More than £500,000 has already been raised; and on display at Aldeburgh this week is an exhibition that could raise a substantial slice of the next £500,000.

There has always been a visual arts fringe to the musical events; but this year there are seven exhibitions on offer, one of which is a worthwhile canter through mainly 20th century art. It is of items donated to the Aldeburgh Appeal which Sotheby's is auctioning in London on October 8. At least £100,000 should be raised; perhaps much more.

Among the most generous givers has been Sir Peter Pears, who has a very fine art collection (including works by Constable). He has donated a screen by Mary Potter, who lived in Aldeburgh and who was involved in a house swap with Britten and Pears; and a Rodin bronze, both of which could sell for more than £15,000 each, as well as works by Sickert, Lear, Gertler and Lucien Freud.

Eric Crozier has presented 100 letters from E. M. Forster, many about their collaboration on *Billy Budd;* Janet Baker a mother-of-pearl card case given to her by Pears; Peggy Ashcroft her portrait by Henry Lamb; and much more.

A drive is underway to persuade musicians involved with Aldeburgh to offer musical manuscripts and, by October, the auction should be a fascinating cross-section of a chunk of British cultural history of the middle 20th century. It should also break the back of the appeal.

Aldeburgh has had its problems—the Maltings destroyed by fire; some unsuccessful artistic ventures—but now seems set fair. It is immensely cheap on the public purse, receiving only 14 per cent of its revenue from the Arts Council and local authorities (the cash from the former has been pegged at £42,000 for three years, while Suffolk has given more this year, perhaps in recognition of the £500,000 in tourist revenue that the festival brings to the county). Sponsors, notably Jaguar, provide £70,000; the rest is box office.

What began as the local fancy of two musicians is now an international festival of strange charm. Much of what happens at Aldeburgh is familiar only to its fanatics—the Rostropovich Festival in August; the Proms in September—but the more that is known the more worthwhile Aldeburgh seems.

Carol Farley and Boris Bakow.

Maggio musicale/Florence

William Weaver

Like its illustrious predecessors, the 48th Maggio musicale has a highly various calendar, events great and small, solo recitals alternating with grand choral-symphonic concerts. But this, after all, is Italy; and inevitably the festival's opera productions attract the most attention. After the inaugural "Don Carlo" last month, the second opera on the programme (except for a single matinee performance of a little Cherubini intermezzo) was Alban Berg's "Lulu."

The Berg opera is not unfamiliar in Italy. Over the past decades there have been performances in all the major Italian houses, at regular intervals. But until last year the opera was always heard in German, and without its third act. For the first performance in Italy of the three-act version, the Genoa opera commissioned an Italian translation from Fedele d'Amico, who has produced excellent singing versions of a number of operas, ranging from Moussorgsky to Menotti. As he is at present the guest artistic director of the Maggio, it was logical for him to schedule another production of his "Lulu."

It was less logical, however, to engage an almost entirely non-Italian cast. As a result, d'Amico's fluent text was often unintelligible; or, when it was intelligible, the delivery was erratic, at times almost to the point of risibility. The effect was alienating. In the case of the Dr Schön, it was downright irritating, as Boris Bakow garbled his words in a Slavic stew and sang in a hollow voice with a manner more suited to Gudonov than to Wedekind.

Besides her strong American accent, Carole Farley—the Lulu—had other problems, many of them created by the producer, Luigi Squarzina. He imposed a number of eccentric, awkward movements on his actress, forcing her to sprawl on the floor (and then, with no motivation, to stand up again), fling her legs in the air, mince like a classic tart, bare her legs, and—time-honoured gesture—kick off her shoes (and then, tidily, collect them again). The other interpreters fared no better at Squarzina's hands; but the lack of a central characterisation, a Lulu of mystery and allure and horror, created a gaping hole in the performance.

Lucian Damiani's sets and costumes were handsome and, generally, appropriate; but the lighting was dreadfully inept. A character would enter, in shadow, and a spotlight would start searching for him, usually finding his knees first, then his face.

In spite of all these drawbacks, the evening had redeeming features, notably the interpretation of some of the secondary roles: the eerie Schigolch of Andrea Foldi, for example, and the affecting Geschwitz of the unforgettable Evelyn Lear. The Florence orchestra, too, was in splendid form, conducted with alert penetration by Bruno Bartoletti.

Voice and piano/Aldeburgh

Max Loppert

Peter Pears, senior figure of the Aldeburgh Festival, will be 75 on June 22. He is, of course, the most important and influential English tenor produced this century; and his artistry, though no longer expressed in the medium of song, is still perceived in every corner of festival planning. A "Birthday Choice" concert is timed to mark the exact occasion; and to a similar end, Faber has published a *Festschrift* (edited by Marion Thorpe; £14.95) in which admirers of the order of Janet Baker, Lord Harewood, Hans Keller, and Rostropovich and Vishnevskaya (in a particularly vivid joint tribute) attempt to recapture in words the sound and sense of Pears' singing.

The Sunday afernoon recital at Orford Church, subtitled "Voices of War" and given by John Shirley-Quirk and Steuart Bedford (piano), bore the fine Pears imprint. It was a carefully planned memorial to the artistic casualties of World War I—to the composers and poets cut off before their prime or else damaged beyond recovery. The composers whose songs were given were (in the words of Pears' programme note) "not great composers — but composers of promise who were not allowed to live long enough to show maturity." Sir Peter also intervened between musical items to read from Brooke, Owen, Sassoon and Hardy, in a manner of eloquent frailty that proved deeply moving.

Mr Shirley-Quirk's warmly patinated baritone and Mr Bedford's admirably sensitive accompaniment of it combined to similar effect in *Lights Out*, a cycle on five Edward Thomas poems by Ivor Gurney. In Gurney's musical impressions, each one small of scale but deftly judged in every poetic inflexion, the recital theme found its most substantial example.

A group of songs by Finzi, Farrar, Frederick Kelly and W. Denis Browne was of more desultory interest: Butterworth's Housman cycle *Bredon Bill* kept too continuously to one rather mild, slow mode. It was also an instructive idea to place Frank Bridge's lengthy Piano Sonata (played by Philip Mead) as the concert centrepiece: a post-war work, it signalled the radical change in Bridge's musical language, for reasons easily understood in this context. But it seemed to me a work of prolonged confusion and crabbed clutter, hard to follow even from sentence to sentence.

On Sunday evening at the Maltings, Mieczyslaw Horszowski gave an Aldeburgh recital for the third successive year. The celebrated pianist and pedagogue will be 93 on June 23. As the concert bore out, the miracle of his pianistic wisdom continues undimmed — the listener may be in danger of sentimentalising his great age before he arrives on the platform, but not once he sets his hands to the keys. The Beethoven Pastoral Sonata stretched out into an infinity of golden time and space; marvellous subtleties of articulation may have been noted in the process, but the larger impression of distilled beneficence and serenity answered for every detail. Bach (the C minor Partita) and Mozart (K.570) shed a comparable glow; in the Chopin C sharp minor Polonaise and B minor Scherzo, some of the bravura flourishes were sketchily dispatched, yet the spirit of the playing — chivalrous, romantic, aristocratically broad—rendered the fallibilities unimportant.

Bernstein's Mahler/Barbican

David Murray

On Sunday afternoon Leonard Bernstein made one of his rare visits to London, and brought the Amsterdam Concertgebouw Orchestra with him. The occasion was one of the weightiest components of the London Symphony's continuing Mahler/Vienna festival—a performance of Mahler's last completed symphony, the Ninth. Expectations were high, and they were magnificently fulfilled.

Bernstein's long love affair with Mahler's music is about as much a matter of public record as such a thing can be. There is not only the natural sympathy of one composer-conductor for another, but a whole shared emotional range: candidly intense sentiment, violent reversals, mocking histrionics, a deep respect for past and popular modes, a lust for grand public expression.

So it was this time, and the Concertgebouw was in sumptuous form. A catalogue of the orchestral glories would be impossibly long; it would include unlikely things like the bassoon trio near the end of the Ländler movement, at once comic and chilling, faultlessly balanced. Bernstein drew out the close of the final Adagio to extraordinary length (something possible only in live performance, but entirely convincing and moving here), and even under that relentless exposure not a player wilted.

Berstein began the Andante comodo slowly, almost painfully, as if the music had to collect itself with a weary effort. The momentum grew naturally, and later the desperate climaxes crashed and broke as only a thorough Mahlerian can make them do.

Only the Rondo-Burleske was fast, so swift as to lose some detail; within the outer sections, the necessary moments of lightening were achieved without varying the tempo by a notch. Then the Adagio was unfolded on a majestic scale, with the Concertgebouw's own long experience of Mahler revealed in all the intricate cadenza-writing — not a phrase of it sounded stiff or tentative. In such music, of course, Berntein's embracing warmth carries everything before it.

Peter Lieberson/Radio 3

Andrew Clements

Peter Lieberson is a 39-year-old American, son of the distinguished record producer Goddard Lieberson. His music is hardly known in Britain, and on Thursday evening Radio 3's *Music in our Time* was devoted to two of his works, introduced by Oliver Knussen.

Lieberson studied with Charles Wuorinen, and began his career as a committed serialist, as the earlier piece in the concert, the Concerto for Four Groups (1971), demonstrated. There seemed little that was identifiably personal about it; a slightly dry, densely argued eight minutes which clearly owed a good deal to the example of Milton Babbitt and of his teacher, save for a curiously memorably welling up of the instrumental lines just before the end.

Very much more impressive and substantial was Lieberson's Piano Concerto, written in 1981 and 1982 for Peter Serkin, and played by him on the broadcast, with the Boston Symphony Orchestra conducted by Seiji Ozawa. In the mid-1970s the composer temporarily abandoned composition to study Buddhism, and his music since he resumed seems to have gained a much wider emotional range, and a willingness to admit more rhetorical gestures.

The style of the concerto would I imagine be classified as neo-romantic: there are well-defined tonal centres, with the pitch F sharp playing the prominent role, though Knussen maintained that it was still organised on serial premises. It is a big piece, some 40 minutes long, clearly conceived in the tradition of the symphonic concerto from Brahms onwards.

Blanca Uribe/Elizabeth Hall

Andrew Clements

Miss Uribe produced a most satisfying and consistently musical programme at the Elizabeth Hall on Friday evening. But the major weight came in the first half; two Beethoven sonatas, one of them the Hammerklavier, were followed by a Chopin group which, though it contained the F minor Fantasy and the C sharp minor Scherzo, inevitably seemed more relaxing.

I suspect it was not just the programming that brought the decrease in tension after the interval. For while there was very little amiss in Miss Uribe's Chopin playing — indeed, much of it was suavely elegant — neither was there an impression of original thought, of the works being approached with freshness and new ideas. In contrast, both Beethoven sonatas contained thoughtful and considered touches, even if not all of them were successfully realised.

Her performance of the Hammerklavier was let down by the finale, which after a bracing beginning to the fugue sagged in the middle as rhythms lost their profiles. Miss Uribe has an impressively clean and fluent technique, though not without a quota of mishit octaves, and the vital way in which punched out the figures in the first movement gave it refreshing buoyancy. It was by no means a self-consciously profound treatment but one which took each movement on its merits, and sustained even the Adagio in neatly rounded paragraphs.

The E flat sonata Op. 27 no. 1 compared very favourably with Pollini's account in the Festival Hall a few weeks ago, when contrasts were pushed too hard. Here, everything was highly civilised: a svelte scherzo, and finely judged transition to the finale, while the Adagio really did seem if as setting itself for a major climax. Hardly Beethoven red in tooth and claw, but rewarding nevertheless.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

June 7–13

PARIS

Anne Teresa de Keersmaeker, the young Belgian choreographer, combines her classical training with American-inspired post-modernism. Théâtre de la Ville (2742277).

Händel's Rinaldo, co-produced by the TMP, Orchestre de Paris and the Teatro Romolo Valli de Regio Emilia conducted by Sir Charles Mackerras/Nicholas Kraemer, produced by Pier Luigi Pizzi, the title role sung by Teresa Berganza/Ewa Podles. TMP-Châtelet (2334444).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Tosca with Luciano Pavarotti and Raina Kabaivanska. Carmen, sung in French, features Julia Varady and Vladimir Atlantow. Tristan und Isolde is of respectable standard with Katarina Ligendza, Spas Wenkoff and Martti Talvela. Also Die lustigen Weiber von Windsor. (34381)

Munich, Bayerische Staatsoper: La Bohème is steered to triumph by Mirella Freni. Händel's Hercules in concert version is sung in English and conducted by Nicolaus Harnoncourt. Manon Lescaut has again Mirella Freni. Further performances are The Magic Flute and Madame Butterfly. (21851).

LONDON

Royal Opera, Covent Garden: The 15-year old John Copley production of Cosi fan tutte, now rather faded, returns with an attractive and interesting cast (including Margaret Price, Anne Howells, and Francisco Araiza) and Colin Davis as conductor. (2401066).

English National Opera, Coliseum: Aida, one of the ENO's less-distinguished attempts at Verdi grand opera, has at least an unfamiliar cast (including the Australian soprano Marilyn Richardson, making her London debut in the title role) to recommend it. Further performances of the company' bold, irritating, imaginative reworking of Madam Butterfly; and of The Midsummer Marriage, disappointingly insensitive in its production ideas but musically full of feeling for the radiant lyricism of Tippett's wonderful score. (8363161).

ITALY

Florence, Teatro Comunale: (Maggio Musicale): Lulu by Alban Berg (in Italian), conducted by Bruno Bartoletti and directed by Luigi Squarzina, with scenery and costumes by Luciano Damiani. In the cast are Carol Farley, Evelyn Lear, Aracelly Hängel, Boris Bakow and Richard Cowan. (Tue). (2779236).

Venice, Gran Teatro la Fenice: The German choreographer/director Pina Bausch with her Wuppertal Tanztheater. (Wed and Thur). (25191).

Turin, Teatro Regio: The Magic Flute (sung in German) conducted by Miklos Erdelyi and directed by Lucian Pintillie. Lyons Theatre production. (Tue and Thur) (548000).

Palermo, Teatro Massimo (Politeama Garibaldi): La Traviata, conducted by Daniel Oren and directed by Mauro Bolognini with Diana Soviero and Nazzareno Antinori (Tue). Ballets Verdi-Requiem vittorio biagi (Fri, Sun, Wed). (584334).

NETHERLANDS

Amsterdam, RAI Congress Centre (Europaplein). The Lucida Childs Dance Company of New York. Relative Calm, Dance part 5 and Field Dance (Tue, Wed). (448651).

Amsterdam, Bellevue Theatre. Modern Canadian dance from the Groupe de la Place Royale (Wed, Thur). (247245).

VIENNA

Staatsoper: Richard Strauss's Salome; Die Walkure with Janowitz Bjoner, Fassbaender, Lotte Rysanek; Pfitzner's Palestrina; Madame Butterfly; Le Nozze de Figaro with Janowitz, Mathis, Hintermeier. (5324/2655).

Volksoper: Beggar Student conducted by Bibl; Mr Fair Lady conducted by Bauer-Theussl; Beggar's Opera conducted by Bauer-Theussl; Lehar's Das Land des Lachelns; Orff's Die Kluge; Die Schone Galathee; Britten's Beggar's Opera; Lehar's Count of Luxembourg. (5324/2657).

NEW YORK

Metropolitan Opera: The 19th annual free park concerts begin Tuesday with Adriana Maliponte in the title role of Manon Lescaut, with Vasile Moldoveanu as Des Grieux, Pablo Elvira as Lescaut, and Ara Berberian as Geronte, conducted by Nello Santi (Great Lawn, Central Park). Richard Woitach conducts Rigoletto with Gwendolyn Bradley, Richard J. Clark and Enrico di Giuseppe in Snug Harbour, Staten Island (Wed).

FINANCIAL TIMES

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More haste, less radical

THE CABINET appears to be caught in the toils of its own would-be radicalism. Its most important proposal, the overhaul of social security, has been presented in an unfinished state, since the essential numbers which would give it colour as well as structure, are still in contention between the Treasury and the Departments of Social Security. The future of wages councils is still being hotly debated, while one clean-break proposal, the decontrol of new private-sector tenancies, has been postponed *sine die*.

All these issues will remain contentious, whether in the end they are brought forward or shelved. Opposition threats to reverse those policies which they find most objectionable will at first inhibit the working of any changes that are enacted —as witness the reluctance of the life assurance industry to gear up for a pensions market which it fears may be snatched away. Where action is postponed, the Government risks fighting the next election under the suspicion of a "secret agenda" of measures thought too unpopular to offer at present, not to mention the suspicion of lacking the courage of its convictions. These are the dangers which beset any government, whether of the right or of the left, which allows a general impatience with the status quo to take the place of a clearly thought-out strategy.

Achievement

It is interesting to contrast these arguments with the steady progress of trade union reform under the present government, and the rapid progress of privatisation. The strategy is clear, popular support has been enlisted, and each step has been more or less carefully planned and assessed.

Here the cumulative achievement is large, and still growing; and what is more striking, the Government really does seem to have achieved Mrs Thatcher's aim of shifting the centre ground of the policy debate. Not even Labour any longer talks of reversing the steps which have been imposed to make trade unions more representative, or of knee-jerk renationalisation.

It is against this general background that the current contentions should be judged. The argument over wages councils has a clear context of strategies for the labour market and for the support of low-income families. The issue still raises difficult questions, which divide employers as well as Ministers —how far the councils do protect good employment practices, and how far the Government wishes to be drawn into supplementing very low earned incomes through the welfare system; but these are practical as much as ideological issues.

The rent control question, on the other hand, seems to raise passions out of all proportion to its likely impact on the real world; and this is precisely because it is not part of a strategy for housing and mobility as a whole.

Argument

The British housing market, as we have argued for many years, is a fiscal and economic mess, beset with a tax system which favours ownership over tenancy, with planning and rent restrictions, protected tenancies, and until very recently with a feast-and-famine cycle of mortgage finance. Almost any change here would probably be for the better, yet the Cabinet has twice retreated from worthwhile measures—to reduce the tax privileges of ownership, and now to decontrol new lettings.

Though the apparent reason for retreat—simple fear of unpopularity — does Ministers little credit, some good may yet come of it. It is clear, for instance, that the rent measure would have offered more mobility and less rent inflation if tax treatment for tenants and occupiers had first been made more equal. The desirable end —a market in which all rents could be freely negotiated, and no squatting rights protected— would obviously be easier to achieve if a strategy to liberalise the supply of building land were also in place; and the present argument over local taxation is clearly relevant, too. If the retreat provokes Ministers to think in such strategic terms, the result could be much more radical than any hasty action.

Sanctions against South Africa

AS THE U.S. moves closer to selective economic sanctions agains South Africa both President Reagan and Mrs Thatcher face a quandary. For the former the mounting pressure from Congress suggests that his policy of "constructive engagement" with Pretoria has not satisfied his own electorate and that he is driven to use stick rather than carrot.

For Mrs Thatcher, who has endorsed the President's policy and set her face against sanctions, there is the embarrassing prospect that the very articulator of the policy will have to shift his stance, leaving the UK almost isolated in Europe — where France and the Scandinavian countries are adopting an increasingly tough position —and in the Commonwealth.

Veto unlikely

It now looks more and more likely that President Reagan will have to respond to a Bill banning new U.S. bank loans to the South African Government, as well as new invesment in the republic, imports of Krugerrands, sales of computers and nuclear fuel, equipment and technology.

The strength of political feeling is clear: the vote in the House of Representatives for this particular set of measures was 295 to 127 while the Republican-dominated Senate foreign relations committee approved a similar Bill by 16 votes to one. With that degree of bipartisan support and the growing strength of the sanctions lobby in cities, campuses and church groups across the U.S., a presidential veto seems unlikely when and if the House and Senate present an agreed version of the Bill to Mr Reagan.

The irony is that more reform in South Africa, however obvious its shortcomings, has taken place in the past two years than in the past two decades, ranging from an end to the ban on inter-racial marriage to greater residential rights for urban blacks. But it has been overshadowed by a series of South African Government actions which demonstrate, at the very least, appalling misjudgment and insensitivity to their impact on Western voters.

In Langa, last March, 19 blacks died when police opened fire on mourners marching to a funeral. Top leaders of the United Democratic Front (UDF) currently face treason charges, leaving the government without a channel of communication to the country's largest anti-apartheid coalition. In Namibia, Pretoria appears set on pursuing an "internal settlement" despite the West's pleas.

The most recent example could not have been better designed to infuriate Washington. Barely a fortnight after a public ceremony marking the withdrawal of South African troops from Angolan territory—a welcome development in which the U.S. played a key mediatory role—a South African sabotage squad was found close to an American-operated oil installation in the Cabinda enclave.

Economic sanctions are not the best way to bring about change in South Africa. Black opinion in South Africa is divided over their merits. They can be perverse in their consequences—witness the South African arms industry which now sells arms across the Third World. They could damage the economies of neighbouring black states, all of which are vulerable to retaliatory action by Pretoria. Above all they will fall upon a society in which change seems to be unfolding at a pace and in ways which are beyond that society's control.

Appeasement

Yet South Africa's more imaginative politicians and diplomats cannot be surprised, after such a catalogue of blunders, that Western opinion finds it hard to accept the constructive approach and that the sound case against sanctions acquires the taint of appeasement and amoral self-interest.

The British Government's response to the possibility of selective U.S. sanctions should be to push vigorously for a joint European stance on South Africa. This should do more than jointly express the desire for changes in South Africa which have long been expressed separately — the scrapping of pass laws and influx control, the granting of citizenship to blacks, and progress towards a constitution giving them a say in central government.

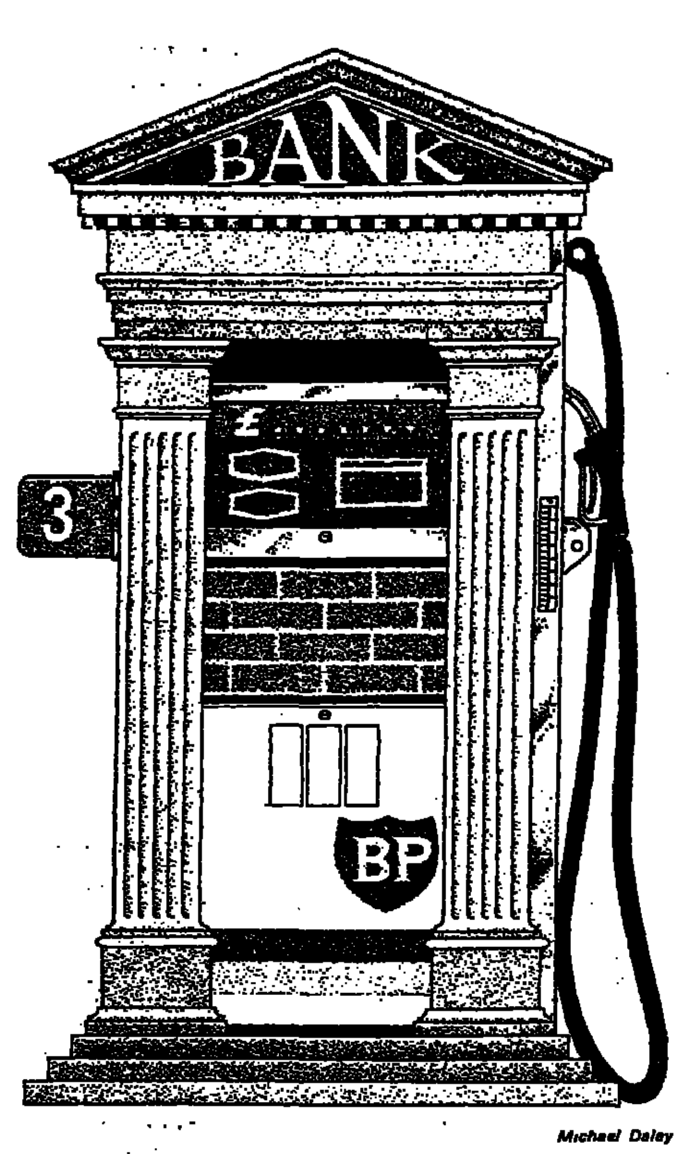
It should warn, as the French are doing, that Europe will have little choice but to follow the U.S. down the sanctions path unless there are substantial changes in the South African system.

BP goes into the

banking business

When a company turns into a bank as well . . .

David Lascelles reports on the implications of multinationals managing their own finances



Michael Daley

SIR PETER WALTERS, chairman of British Petroleum, was in Hong Kong last week attending the International Monetary Conference—an exclusive event to which only bankers are usually invited.

But Sir Peter had a special claim to be there: apart from being a big banking customer, BP is now in the banking business itself. In January it launched its own in-house bank, initially to handle the huge oil group's finances but maybe later on to offer banking services to outsiders as well.

If the bank evolves as planned, its balance sheet will consist of virtually the entire financial assets of BP, over £10bn, which would put it among the 100 largest banks in the world, and create a formidable competitor to established banking institutions.

The apparent novelty of BP's move was re-inforced in April when Volvo, the Swedish car manufacturer, also unveiled plans for an in-house bank that would rank among the largest financial institutions in Sweden, and again challenge the borders of the conventional banking business.

Despite the publicity both companies received, neither was actually breaking new ground. ICI, Dow Chemical and even the Co-operative Wholesale Society have nurtured banks which evolved over time to stand on their own feet. And coming as BP and Volvo did in the wake of the near collapse of one of the most notorious industrial company-owned bank of all, Johnson Matthey Bankers, they could also have been better timed.

Nonetheless, the initiative by these companies indicates two things: the close resemblance that the treasury departments of large multinationals have to banks these days, and the attraction of the financial services market as an extra profit-making outlet for an industrial company's financial strength and skills, which can be considerable. Both Volvo and BP have huge cash resources and turn over billions of dollars in the foreign exchange markets each year, all of it needing tight co-ordination to avoid waste.

Most large companies are already in the banking business to some extent, particularly if they are active in the $250bn U.S. commercial paper market, which is where corporate treasurers trade their IOUs directly, without going through banks. Some people believe that companies will also start trading directly in other financial instruments normally handled by banks, like interest rate and currency swaps, and options.

Whether a company need go the extra step and set up a bank with its own capital and staff depends on other considerations. *And many financially* strong companies have chosen not to get too deeply involved in the esoteric and highly regulated world of banking.

Most large U.S. corporations, for example, have confined themselves to finance subsidiaries, like General Motors Acceptance Corp or General Electric Credit Corp whose main function is to raise finance in the markets for their parents rather than handle their banking relationships or deal in foreign exchange.

General Electric Co of the UK, an obvious candidate with its £2.6bn cash mountain, has chosen to plough some of its surplus resources into new companies instead. Last month it launched GEC Finance as an investment vehicle, though a move into banking services later on has not been ruled out.

An important motive for creating a bank is the expectation that a well-defined banking operation with its own staff and profitability targets will yield something extra.

The classic example is Dow Banking Corp, the Swiss bank set up in 1965 by Dow Chemical of the U.S. to handle the $23m it had accumulated in overseas earnings and peddle some of its international financial expertise. Twenty years later after some ups and downs, Dow still owns 75 per cent of the bank. But it has matured into an extensive international banking network under a new subsidiary established last year, Dow Financial Services, which also owns 52 per cent of Dow Scandia and is about to participate in the City revolution through its stake in Arbuthnot Latham, the merchant bank, and *Savory Milln, the* London stockbrokers.

What started as an in-house bank has become, for Dow, a diversification into financial services from which it now reaps dividends.

At BP, the idea of a bank had been under consideration for some time. The group has an annual cash flow of $40bn, a huge exposure to foreign currencies, and liquid assets of some £2.5bn. According to Mr Robert Horton, the managing director for finance and planning, "organisational cleanliness" was an important motive, though that only became possible when new technology permitted the group's entire finances to be gathered on a single electronic screen 18 months ago.

"It was a question of how to manage our finances creatively and not just sit on an increasing pile of cash."

Mr John Browne, the chief executive of BP Finance International, as the new bank is called, stresses that all the functions grouped in BPFI were in BP before. "The difference is that we don't just pass the business through any more. We have a group that is accountable for making a profit out of that business."

> 'It was a question of how to manage our finances creatively and not just sit on an increasing pile of cash'

BPFI has four parts: a treasury responsible for BP's money and foreign exchange trading, and its bank accounts; a corporate finance section which handles activities in the debt and equity markets, and other merchant banking-type work like mergers and acquisitions, and project funding; commercial banking which looks after relations with banks and investors; and a planning and systems group to take the long view.

Many multinationals already do this, of course. But BP has gone a stage further by setting BPFI up like a bank with its own capital base and accounts, a board of directors and a staff of about 70, some recruited from banks in the City. The group has also marched boldly into the investment banking area by handling three takeover bids on behalf of BP (one of which was unsuccessful) and four Euromarket issues in as many months, and it has clearly been shaped with more than half an eye on the City revolution and the new opportunities for a securities business which that presents.

But BPFI is not a corporate entity of its own, because, according to Mr Horton, that is not necessary at this stage. Instead, it exists as a management and accounting group, though Mr Horton hopes to break out its performance in BP's accounts once it gets going.

This marks it out from ICI Finance PLC, which was established by Mr Alan Clements, the group treasurer more than a decade ago, in 1972, as a separate company partly for tax reasons (though how in-house banks treat items like foreign exchange trading losses is a murky tax area).

ICI's bank, which has a balance sheet of £1.3bn, is less ambitious than BP's. Its main tasks are to act as a central clearing house for the group's finances, deal on the UK and foreign exchange markets, and factor the receivables of other parts of the group (that is buy the debts of ICI's trading divisions at a discount, and collect them).

The key point about in-house banks, though, is that they should deal at arm's length with their parents and charge commercial rates. Both BPFI's and ICIF ar esupposed to compete against outside banks for their groups' financial business, though in practice that is not always possible. (BPFI does not charge in cases where a BP gropu cannot do business outside). At ICI, according to Mr Trevor Harrison, a director of ICIF, "there is an unwritten law that ICI divisions buy within the group."

But commercial principles must apply if the in-house bank is to generate real profits of its own, rather than simply collect a surplus that would appear elsewhere in the group anyway.

During the planning for BPFI, according to Mr Browne, BP discovered that its treasury operation was very undergeared by banking standards: nearly 50p of capital for every £1 on the books. That has been cut right back to 7p per £1, giving BPFI much greater profit leverage and enabling it to aim for a return on total assets of 1 per cent, more than most banks can manage. (BPFI has set itself as a model one of the few major banks that can, Morgan Guaranty of New York).

But steady profit growth is not something the ICIF has found easy. In 1982, pre-tax profits were £14.5m. They soared to £131.6m in 1983 and then plunged again to £69m last year, largely because the company was absorbing the shocks of the wide fluctuations of the foreign exchange markets on behalf of the whole ICI group.

A moral about the dangers of excessive profit expectations and the need for tight and expert control of in-house banks lies in the Johnson Matthey Bankers saga. The bank was part of the Johnson Matthey precious metals group and existed principally to handle gold transactions. But after the collapse of the gold market in 1980, it was encouraged to seek new loan business outside the group—which it did with disastrous results. The directors of the parent knew little about banking and were unaware that their bank's impressively good profits came from highly questionable loans.

Although neither ICI nor BP need a banking licence since they do not take deposits from the public, they keep in touch with the Bank of England, which is understandably a little nervous about the growth of quasi-banks within non-financial groups, and they operate a careful system of controls.

If any of these companies were to branch out into the banking business proper, they would have to satisfy the Bank that they had the financial resources to do it, and the management skills.

But Mr Harrison says ICI has no wish to involve itself in a highly regulated industry. BP is "agnostic" about the value of diversifying into the finance industry, according to Mr Horton. However, a decision on whether to start offering banking services to outsiders will be taken once BPFI is properly estabilshed, probably next autumn.

The impact of such a move would be considerable. Apart from lending to other corporations and dealing in the markets, BP could be offering companies advice on takeovers, arranging their financing in the capital markets and, at the retail level, running credit schemes at the petrol pump.

However, BP is keen to dispel ideas that it poses a threat to other banks, if only to safeguard its relationships with them and ensure that they continue to supply it with bright ideas. "It's not in our interests to destroy our banking relationships or damage the banking system, said Mr Horton. "We view this as a way of strengthening ourselves to take on our real competitors, who are Shell and Exxon."

Other companies will doubtless be watching BP carefully. But it does not seem likely that there will be a rush of new in-house banks. As one corporate treasurer said, the basic business of BPFI—its treasury management and market operations —is a formalisation of what most multinationals do informally already. And few will want to go to the next stage of marketing their financial expertise to others.

But multinationals are acquiring banking skills by sheer necessity. And if there is a threat to established banks, it may already exist in multinationals' ability to read and deal in markets, make their own corporate finance decisions and even price their own securities issues by themselves without even drawing attention to it with a banking label.

Men and Matters

Davy's First Lord

For Earl Jellicoe, it is just another flagship.

The man who was First Lord of the Admiralty in 1963-64 is now to become the first lord of Davy Corporation. Davy is the leading UK process plant contractor that was saved by the Monopolies Commission from a U.S. predator in 1981 on the grounds that it was a national "flagship" for exports.

Jellicoe, 65, takes over from Peter Benson, 68, the former chairman of APV, another process plant group, who was brought out of retirement in 1982 to make some major repairs to Davy. At the time the group was listing badly as a result of a dearth of new contracts and one heavy loser.

Now, however, things are looking brighter and, in choosing their new chairman, the Davy directors clearly felt it was time to put out the flags again. "We were looking for someone rather different from me," Benson told me. "It will be a great thing to have someone who can talk to anyone, and be an ambassador for Davy at the highest levels."

Jellicoe appears to fit that description very well. A godson of King George V and a page at the 1937 coronation of George VI, he has always moved easily in the highest circles. Unfortunately for him, he also moved for a while in some earthy ones as well and spoiled a promising political career in the early 1970s.

But he rebounded quickly in the business world. He is chairman of the British Overseas Trade Board and a director of Tate & Lyle, Smiths Industries, Morgan Crucible and Sotheby.

Jellicoe's presence on the board of S. G. Warburg may be helpful to Davy as well. The group's shares have been weak in the past three years, and there have been frequent bid rumours. Last March, Trafalgar House revealed it had built up a 5.5 per cent stake, and if it ever decided to bid, Davy could not hide behind the flag again.

While Jellicoe is out selling Davy to the world, the business itself will be run, as expected, by Graham Raper, a tough engineer who joined in 1960. Now managing director of Davy McKee, the group's contracting subsidiary, Raper will become group chief executive on July 1.

Telegraph line

Conrad Black, the wealthy Canadian industrialist who has just bought a £10m slice of The Daily Telegraph group, is one of the most colourful characters to arrive in Fleet Street for some time.

He is best known for his stormy chairmanship of the then ailing Massey Ferguson tractor business, when he walked away from the loss-maker at the eleventh hour and forced the banks (and British and Canadian tax-payers) to come to the rescue or push Massey into bankruptcy. But throughout his career, he has had strong interests in the Press and media.

Black aged 40, counts himself as a member of the New Right in Canada and is no trade union lover. His fascination with politics is best illustrated by the circumstances surrounding his decision to put his money into the Telegraph group.

When Lord Hartwell, the Telegraph chairman, heard about Black's interest, he insisted on sounding out the Canadian face-to-face. Unfortunately, Black said he was busy attending a political conference in Canada. So Hartwell, flanked by two senior Telegraph executives, flew to New York to meet him half-way. That meeting sealed the deal, and so another Canadian— following in the footsteps of Lord Beaverbrook of New Brunswick and Roy Thomson— is now back in The Street.

Side tracked

The good citizens of Bonn have suffered a crisis of confidence for years. The place is, after all, the capital of Europe's richest nation but it is so small (pop. 282,000), the rueful local joke goes that they *fold* away the sidewalks at night.

Nothing, not even the millions the state spends on bringing expensive opera, music and ballet to Bonn, mitigates the fact that compared to the British, French and Italians the Germans have a very borning little capital. MPs, forced to migrate there from the bright lights of Hamburg and Munich when the Bundestag is sitting, flee home at every possible opportunity. "The only good thing about Bonn," says agriculture minister, Ignaz Keichle, "Is the train to Munich."

Indeed, the most tangible sign of the town's importance is the fact that up to 400 trains a day pass through it. Through the middle, that is, of some of the capital's most prestigious quarters. For years, Bonners have complained about the noise and the inconvenience at level crossings, where traffic often stands still for 20 minutes.

But the local council is now up in arms about proposals from the Bundesbahn to bypass Bonn with its new 300 km/h trains linking Cologne and the Ruhr with Frankfurt—a move which would leave the capital's 100-year-old Italianesque station as little more than a provincial siding.

Probably the only hope the council has of persuading the government to bring the line through the capital would be to persuade MPs and ministers that it would offer them an even quicker way out of the place.

Insider dealing

Whoever said that stone walls do not a prison make was probably right. Mail order organisations in the U.S. are discovering this to their cost. It seems that the companies are losing out on orders placed by inmates of prisons, who under benign regimes do not need to name the jail with the return address and have the right to unrestricted phone calls and uncensored mail. So they can order merchandise and charge it to phoney credit card numbers.

To the rescue comes Larry Schwartz, a member of a Florida company called the Fraud and Theft Information Bureau; who has compiled an unusual new business book — the Directory of Federal and State Prison Addresses and Zip Codes.

It will enable mail order people to screen addresses and block orders from behind the wall. The cost is $39 for the book version, $330 for a computer disc and $395 for a tape. And worth every cent according to Schwartz—"The loss to direct marketers on prison sales is in the tens of millions of dollars."

Bondsmen

I do not know what it has done for our film critic, but the latest James Bond film, A View to Kill, is working wonders for the popular image of the FT reporter.

Roger Moore, as Bond, introduces himself on five occasions during the film as "reporting for the London Financial Times" on Silicon Valley where much of the action is set.

Observer

Letters to the Editor

British monetary policy

From Mr J. Dow

Sir,—You note (June 5) that British monetary policy is in a state of transition, and comment on unsatisfactory features of where we are now. You offer, however, little guide to where we should now go—a subject, since the debate is confused, well worth discussing.

You attack over-funding. "It was invented (you say) to enable the authorities to pursue monetary control without changing interest rates, which is a travesty of monetarism." It might be better described as broad-money monetarism carried to its logical conclusion.

The policy of controlling the growth of broad money by raising short-term interest rates through the Bank of England's operations in the money markets proved ineffective because: (a) a change in relative interest rates is required to induce both holders of broad money to move to holding non-monetary financial assets; and borrowers to move from borrowing from banks to borrowing in other ways, such as equities or debt. (To reduce the stock of broad money, both types of switch have to take place.); and (b) though directed at short rates, such official operations tend to raise the whole yield curve, and so have little effect in increasing the relative cost of bank borrowing, and clearly not enough to induce financial directors to pay off bank debt by raising finance on the Stock Exchange.

Over-funding accomplishes half that process. It does not make companies fund bank debt: the authorities in effect do it for them. But it is effective in controlling broad money—the public is induced to move from holding broad money to holding public debt (even if only national savings instruments). It may well be the only effective way of controlling broad money—short of lending controls or the Corset, which understandably you also do not like.

To reject over-funding is perhaps thus to say that one cannot work out a desirable target for broad money; that bank lending is an efficient means of channelling financial flows; and that the market should be left to determine the size of broad money without official interference.

You say that broad money was always intended as a signal for fiscal policy rather than for monetary policy. I doubt if that is historically correct; nor, if it were, would the rule for fiscal policy be entirely clear. But, in any case, where does that leave monetary policy? There would seem two alternatives.

First, one could go for a narrower monetary aggregate. This might be M1, for a proportion of it is still non-interest-bearing; and changes in interest rates do seem likely to be effective in inducing a move from holding non-interest-bearing money (many forms of current account) into other financial assets (in practice, mostly into interest-bearing bank accounts). That, admittedly, would hardly affect bank lending: but, if one abandons a broad-money target, one implicitly leaves that aside. MO (mostly the public's holding of notes and coin) is hardly a suitable target, since it is very dubiously, if at all, sensitive to interest rates. It is true it has recently been growing relatively slowly, probably as a result of innovations that have been improving the relative attraction of bank (and building society) accounts; but that does not make it controllable.

The second approach would be to make the exchange rate a more explicit target for monetary policy. That *is* not the same as, and would not necessarily imply, adherence to the European Monetary System exchange rate arrangements. This course would only be sensible if one believed it had independent advantages more substantial than merely finding an object for monetary policy. There are a number of arguments for this approach. These I will not enumerate here, my concern being merely to sort out the options for monetary policy.

J. C. R. Dow.
Reform Club,
104, Pall Mall, SW1.

Stock Exchange reform

From Mr A. G. McIvor

Sir,—The circumlocutory nature of Sir Nicholas Goodison's reported response (June 6) to the loss of the second resolution does little to penetrate the fog that has surrounded the issue of reform for too long. Indeed the whole campaign has been notable more for the flatulence of the views expressed both privately and publicly than for their contribution toward clarity.

The plain fact is that, as the voting shows, there are no Luddites in the Stock Exchange. None of us is implacably opposed to change and most of us positively welcome the essential influx of new capital and new trading facilities. Of course we have reservations about a number of peripheral factors, particularly, for example, about the conflict of interests inherent in dual capacity. (The Lloyd's can of worms is alone enough to justify the grave misgivings that so many of us share.)

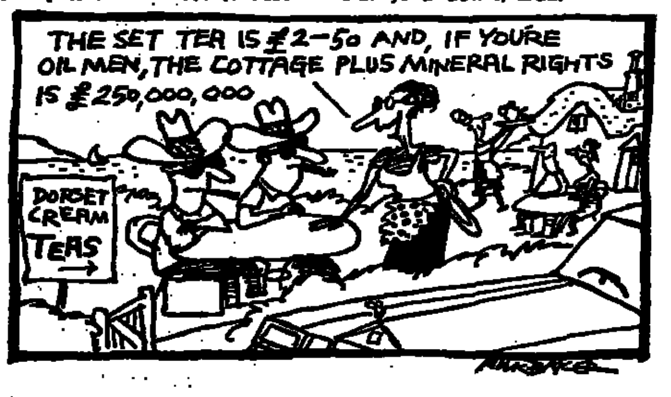
But it is quite wrong for the media to suggest that the protesting element among the membership represents just a bunch of economic illiterates intent on keeping the 21st Century out of our affairs.

It is equally wrong for Sir Nicholas to say that the opportunity has been lost to reform the constitution. That opportunity is still there. It is merely a matter of the council—with its due obeisance to the Bank of England—arriving at a sensible settlement with the membership. And if we need a new council and some new thinking to achieve that end, so be it.

The sensible settlement that I envisage is one which adequately recognises that we, as individuals, own the residual equity of the Stock Exchange and the valuable right to a continuity of business albeit in conditions of greater competition. The loss of the second resolution is a plain enough expression that the council's proposals in this area fell woefully short. Please let nobody accuse me of being motivated by greed nor of trying to capitalise on my good fortune in having become a member "on the cheap."

I simply cannot swallow the council's proposition that I should not only help a man set up shop in direct competition with myself by giving him some of my assets for nothnig, that I should pay part of his rent as I do so and—final irony—that I pick up the tab when he goes bust!

A. G. McIvor,
Guy Puckle & Co.
1st Floor,
Farnford Court, EC2.



Nodding donkeys in Dorset

From Mr E. Potts

Sir,—It is interesting to note that oil companies are confident that substantial reserves of cheap oil lie beneath Poole Harbour and the hinterland of Dorset and Hants.

We are reliably informed (over recent months) by many of your staff writers in erudite articles that the focus of wealth creation has now moved to this area of England.

May I ask why the residents of extensive estates should object to the proximity of low cost energy? If any of them studied economics at University they would surely recognise the bounty of nature in providing this scarce resource to hand. It is obviously vital to the increasing prosperity of the area.

Moreover it may serve to remind many of the so-called wealth creators in the UK who may reside in the area and travel up to London each day that there may be certain costs attached to economic development. As I write I am aware of the huge machines being set to work by Durham County Council to landscape for agricultural and forestry purposes an immense spoil heap from a post industrial area close to my home.

I anticipate with some pleasure returning in future years from a Continental holiday through a south coat port and setting off for the north along a three-lane motorway. One will be able to observe the ceaseless activity of drillers, nodding donkeys, the gas combustion flares and all the paraphernalia of oil and gas recovery. There will be orders for pumps, valves, compressors and the great manufacturing areas of the north will benefit!!

One even looks forward to trying a pint of Bathsheba Everdene's best bitter with the local roustabouts!

Eric Potts.
13 High Street,
Bishop Middleham,
Ferryhill, Co. Durham.

An international outlook

From the Secretary General, The Uranium Institute

Sir,—I was surprised to read (June 4) that the name of the organisation I administer has been changed to the Uranium and Plutonium Institute. I can only assume that something has gone wrong with the sub-editing. The error is perhaps understandable, since we are interested in the whole range of nuclear fuel activities, and our international membership — which is corporate rather than personal — covers the entire spectrum from uranium mining to fuel preparation, its use in reactors, and its eventual reprocessing, storage or disposal. As the article correctly states, 60 organisations, most of them major entities, are members. One third are public sector bodies.

The article also appeared to imply that anti-trust considerations are a factor inhibiting U.S. membership. This I am glad to say is not the case. Since 1979 the institute has held a business review letter from the U.S. Justice Department, which in effect endorses our procedures and anti-trust safeguards. These were most carefully set up with advice from U.S. and European legal counsel, and have stood the tests both of time, and of many detailed examinations by the lawyers of companies intending to become members.

It *is* nevertheless true that the U.S. has been slow to join this international organisation, where 18 nations plus the European Community are represented already; but that has been mainly due to the fact that America is a huge country with a high degree of nuclear self-sufficiency, and, until recently, minimal incentives to join an organisation whose main "cement" is the extensive international trade in nuclear fuel. The uneconomic nature of much of the U.S. uranium mining industry, however, compared with the cheaper production now available elsewhere, is having the effect of forcing the U.S. to look offshore, and to begin to take part in this world trade. As a result the institute now has three U.S. members, and a number of other expressions of interest have recently been received.

Terence Price,
Twelfth Floor,
68 Knightsbridge, SW1.

The mysterious Al-Fayeds

From Mr J. Rhys-Burgess

Sir,—The vulnerability of the House of Fraser to a bid from a third party was openly acknowledged ever since the referral of the original Lonrho bid to the Monopolies Commission. Then along came the Al-Fayeds with their 615m offer. This was higher than anybody else was obviously prepared to pay. Why, therefore, should the Al-Fayed bid have been regarded as Mr Campbell-Smith says (May 31) as dramatic or audatious?

In the final analysis the only question a House of Fraser shareholder had to ask himself was whether the price was right. Shareholders are, after all, the proprietors of the company. Of what possible interest or consequence is it to them where the Al-Fayeds obtained the money for the bid, or whose money it actually was, just so long as the price was right and the money paid over?

The most respected merchant banks in the City are of comparatively recent origin; the backgrounds of many of their founders just as obscure and enigmatic as that of the Al-Fayeds. Harrods is, in a sense, a national institution. But it is hardly a matter of vital national importance as to whether the new owners are of foreign extraction or are of uncertain origin or means. There are many examples in different industries where ostensibly "British" household names are in fact foreign controlled.

Surely two fundamental principles of our property-owning democracy are a respect for individual privacy and a recognition of individual rights in property. Mr Campbell-Smith's article grossly violates both of these principles. The Al-Fayed brothers are private individuals. They are entitled, surely, to conduct their private business affairs in whatever manner they see fit, so long as they act without injury to others. They made what must be considered to be a fair and reasonable offer to buy House of Fraser from its proprietors, who were presumably well and truly satisfied with the price paid to them.

House of Fraser is now the Al-Fayeds' private property. In any event, it is now a private company. Why should it warrant your newspaper's "extensive investigations"?

It is surely not pertinent for Mr Campbell-Smith, or anybody else for that matter, to busy themselves in this obsessive manner. It may well be that the City in its snobbery, insularity, insolence and conceit might find it hard to believe how anybody in this world could possibly have £615m without previously knowing about it or having had a hand in their getting of it. Strange though this may seem, there undoubtedly are such people about and London is not the centre of the world and not the only place on earth where wealth can be got.

The trouble is that the City is nowadays infested with what can only be described as a sort of "pension-fund Socialism" and the Al-Fayeds of the world, living and working in more primitive but evidently more successful capitalist societies tend to be treated with disbelief because in the context of our social system they are something of an anachronism.

John Rhys-Burgess.
Craig-y-nos,
Llangammarch Wells, Powys.

Possibility of higher rates

From the Conservative Spokesman, General Purposes Committee, Birmingham District Council

Sir,—The subject of parish councils is hardly likely to set hearts fluttering or cause demonstrations in the streets, but what is happening in Birmingham could become the most costly extravagance since Greater London Council and West Midlands County Councils were established.

The Labour city council has proposed to the Local Government Boundary Commission that the whole of the city should be parished. This entails the establishment in each parish of a council, with staff and officers and powers to acquire land, provide community halls, conference facilities, car parks, litter bins, encourage tourism and so on and so on. What is not generally known is that these councils can levy a rate without any financial limit. They will merely precept on the city council who will have no powers under present legislation to challenge the expenditure which will be passed on to the ratepayers of that parish via the city's rate demand.

The Boundary Commission has already suggested the establishment of 13 parishes for the city based on the views of about two dozen favourable responses and if such parishes are established in Birmingham they could be the forerunners for other major cities with disastrous financial consequences. The Government has fought long and hard battles in its plan to abolish the GLC and the Metropolitan County Councils while a "slumbering whale" is waiting to replace this tier of local government with yet another.

Birmingham has a long and sound reputation for wise local government. It should be allowed to continue without the imposition of parish councils which are inconsistent with a major urban evironment and above all, for which there appears little or no public demand.

I urge all ratepayers to consider the consequences of doing nothing. The expenditure of a parish council will be charged to the ratepayers of that parish—domestic and commercial. Business ratepayers will find themselves paying even higher rates and will find it impossible to challenge the cost however unjustified it may appear.

(Councillor) Bernard Zissman.
91 Fitzroy Avenue,
Harborne, Birmingham.

Subcontinental nuclear field

From the Minister (Information), Embassy of Pakistan

Sir,—I refer to Mr Alain Cass's article and Mr John Elliott's report from New Delhi (June 6) in which Pakistan's nuclear programme and India's apprehensions are mentioned.

The President and the Government of Pakistan have repeatedly and most categorically declared that Pakistan will not make nuclear weapons and that the nuclear fuel we produce in a small quantity is not weapon-grade.

India has made tremendous advances in the nuclear field since 1947-48. It exploded in 1974 an atomic bomb, euphemistically called a nuclear device. Pakistan has never carried out any such nuclear explosion nor it is preparing to do so. New Delhi's allegation that Pakistan is making an atomic bomb or has already made one is baseless.

Pakistan has offered to India mutual inspection of each other's nuclear facilities. It is prepared to sign the NPT if India also does so. Pakistan has been for years piloting resolutions in the UN General Assembly for making South Asia a nuclear-weapon-free zone. Our nuclear programme is on a very modest scale and it is for peaceful purposes only.

Qutubuddin Aziz,
35 Lowndes Square, SW1.

Definition of capacity

From Mr E. Cownie

Sir,—How refreshing to read the sense of Sir Ian Morrow's letter (June 4), which throws light on the problems of measuring capacity.

If I might add my own half-new pennyworth, it seems that industrial commentators ignore another problem of defining capacity. Does one give the same weighting to the capacity to produce an obsolescent product as one should to the capacity to produce a new product? Clearly, I believe that one should not, but many are quick to give the same weighting when commenting upon an industry's overall capacity, leading at times to mistaken estimates of "over-capacity."

E. H. Cownie.
Keelson Lodge,
Beckenham Place Park,
Beckenham, Kent.

President de la Madrid in Europe

Sober message from Mexico

By Robert Graham and David Gardner

Mexico's President makes clear that the debt crisis is not yet 'overcome'? During his visit, he seeks more European investment to offset dependence on the U.S.

STATE VISITS are essentially ceremonial and symbolic occasions. Within these limitations President Miguel de la Madrid of Mexico is determined to make the most of a five-nation tour of Europe which brings him to Britain today.

He comes bearing the flag of a country that still desperately needs the support and understanding of the industrialised world to tackle its $96bn foreign debt. He wants to rid his hosts in Britain, Belgium, France, Spain and West Germany of any illusion that Mexico has solved its debt crisis.

President de la Madrid says emphatically: "We are far from being able to claim that the crisis is overcome. Even if we now have a greater margin of manoeuvre as a result of our debt restructuring (of $49bn in March), this relief is by no means a definitive solution."

The soberness of his message contrasts starkly with the flamboyant tone of foreign trips made by his predecessor, President Jose Lopez Portillo, who revelled in Mexico's oil wealth.

Sr de la Madrid comes from the same political establishment, the semi-official Partido Revolucionario Institucional (PRI). But not only is he presiding over an economic crisis rather than a boom, his personality is wholly different. To offset the damage done to the presidency by Sr Lopez Portillo's profligacy, Sr de la Madrid, a Harvard-educated technocrat, has consciously gone out of his way to be almost self-effacing.

Since taking office in December 1982 he has been wholly absorbed in the economic crisis—tidying up the debris of an all-planned bank nationalisation, instilling budgetary discipline, rooting out ingrained corruption and trying to preserve social stability at a time of declining incomes.

Mexico conducts two-thirds of its trade with the U.S.; but Europe is seen as an important politico-economic balancing factor. President de la Madrid would like to see more European investment in Mexico both *per se*, and to offset dependence on the U.S.

He explains the drive for foreign investment as follows: "It is vital to increase foreign exchange earnings from the sale of goods and services in the coming years because we can foresee Mexico not enjoying the same exceptionally high level of oil receipts which we had in the past. At the same time Mexico cannot expect to tap large amounts of external finance, since our existing debt is high and its service is one of the principal constraints on the economy. Thus we have to make a big effort to raise non-oil exports and of course earnings from tourism."

Last year foreign investment totalled $1.6bn, a sharp increase on the previous three years. Nevertheless, foreign investors are at times confused by a combination of Mexican nationalism and the vagueness of existing regulations. The President admits: "Historically we have sought to ensure basic control so that the Mexican economy is in Mexican hands." Foreign investment represents no more than 12 per cent of total investment in the country. But he says: "Even with this nationalistic policy, the possibilities for foreign investment have been, and continue to be, substantial."

Sr de la Madrid is particularly anxious to attract foreign investment with a significant transfer of technology. It seems likely, for example that the recent difficulties of IBM in establishing a new wholly-owned subsidiary in Mexico for microcomputers will be resolved. The President cannot say so directly, but behind the nationalism lies a strong dose of pragmatism.

Despite friction with the U.S. over issues that range from protectionism to narcotics, President de la Madrid takes a philosophic view. "Just as our collaboration has increased so has the potential for conflict."

He is careful to underline how the U.S. was the first to come to Mexico's assistance when the debt crisis broke in 1982.

This does not stop him being critical of President Reagan's policies in Central America. "We believe that political negotiations are the most effective means of securing peace in the area. We do not believe that violent acts or military manoeuvres can help resolve the problem." During his European trip he will seek more forceful backing for the Contadora peace process and will discreetly display Mexico's concern over the U.S. trade embargo on Nicaragua.

President de la Madrid's hosts will be anxious to hear his assessment of the Mexican economy. Here he is candid about his current concerns. "We ended 1984 with several economic worries—basically that inflation could not come down more in line with government projections. We lowered the rate from 80 to 60 per cent and we would have liked to have lowered it more. The public sector deficit was not on target and economic recovery generated pressure on imports and weakened exports." In the first quarter of the year Mexico's trade surplus was halved and on the present projections the country will be hard put to achieve its $1bn projected current account surplus for 1985.

Against these negative aspects, Sr de la Madrid emphasises that "the economy showed a notable capacity to recover with growth reaching 3.5 per cent last year instead of the 1 per cent planned, and with private investment increasing almost nine points after stagnating in the previous two years."

President de la Madrid is concerned by the trend in oil prices since oil provides $16bn of the country's $23bn exports, but he believes Mexico has the capacity to react and recover. A vital element here, he acknowledges, has been the backing of the PRI controlled trade unions that have accepted a stricter wages ceiling. Adjustments need to be made in the economy, especially an acceleration in the sliding devaluation of the peso. These are expected after the congressional and state governor elections next month.

The elections come at the half-way stage in President de la Madrid's administration and will determine the strength of his government for the remaining three years. His critics feel he has allowed the recovery to begin too early solely to offset popular unrest in advance of the elections. He is also accused of having done too little to root out corruption and generate structural reforms.

Sr de la Madrid obviously agonised over what to do about his predecessor. "In the first few months of the Government received a number of claims implicating the former President. The Attorney-General investigated these allegations (of corruption and abuse of office) but found no evidence to implicate him and so no action was taken."

The matter is now dead but all eyes are on the Government to see how it permits the PRI to control next month's elections. The President rejects opposition claims that the results are already being fixed. "I am concerned that certain political parties are already raising the fear or their belief that there will be electoral fraud. I don't think this is the best way to get people to vote and it seems perhaps a strategy to explain their defeat in advance."

In Mexico everybody knows the PRI's history of vote fixing, "alchemy," as it is known. But if large-scale fraud is employed, this will reflect on Sr de la Madrid's democratic legitimacy and undo much of his hard work in cleaning up the presidency's image. It will also make tough economic decisions much harder.

FINANCIAL TIMES

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Lear Fan rescue scheme grounded by hoax

By Paul Taylor in New York

MRS Moya Lear's hopes of restarting the stalled Lear Fan aircraft project collapsed again yesterday as it emerged that she, and a group of other backers, had apparently been the victims of an elaborate hoax.

Yesterday, in the latest bizarre twist to the Lear Fan tale, Mr George Washington Upton was behind bars in a Reno jailhouse charged with being a "fuggitive from California justice." Mr Upton had allegedly promised to bankroll a new Nevada-based company to restart the project, which had received £58.28m ($70m) of UK Government backing and was at one time hoped to create 2,800 jobs in Northern Ireland.

The news appears to dash hopes of restarting production of the controversial Lear Fan turbo-prop aircraft in Belfast, and Reno, Nevada, where employees were abruptly thrown out of work when funding for the seven-year-old project ran out more than two weeks ago. It had consumed about $200m in venture capital, including the British government money.

Hopes for salvaging the project, devised by Mrs Lear's late husband, Mr William Powell Lear, were boosted at the end of last week when Mrs Lear and a group of U.S. investors announced that they had formed a new company, Lear Aerospace, backed with $257m in capital, to restart the venture.

It now emerges, however, Lear Aerospace's chief financial backer was Mr Upton, who posed as a Milan investment banker called Mr Dominique Ferretti.

"Mr Ferretti" promised to put up the whole $257m in new capital for the project, including a $165m slice from one of his companies. His wife, Mrs Janet "Ferretti," whom he apparently married just three weeks ago, was named as chairman and president of Lear Aerospace, a private partnership comprising Mrs Lear, members of her family and close colleagues.

According to Mr John Aycoth, Lear Aerospace's newly appointed director of communications and a limited partner in the group, "Mr Ferretti" staged elaborate telephone conversations in front of the group to substantiate his promise that the venture would be restarted. Among the phone calls he staged were ones to the British Government, Boeing, Fiat-Allis and Porsche. "He was a smooth talker," Mr Aycoth said.

Hanson Trust to raise £519m in rights issue

BY STEFAN WAGSTYL IN LONDON

HANSON TRUST, the acquisitive British industrial holding group, is raising £519m ($654m) from shareholders in the largest rights issue ever by a UK company wholly in the private sector.

It exceeds Barclays Bank's £513m issue earlier this year and falls short only of BP's £624m cash call made in 1981 when the company was nearly 50 per cent owned by the Government.

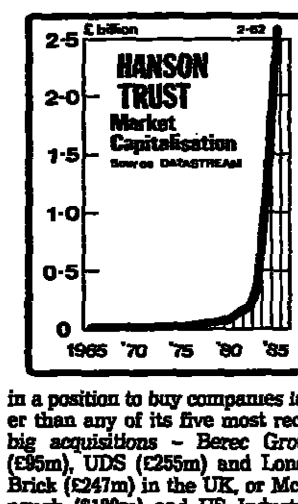
Yesterday's announcement immediately provoked speculation about when and where Hanson trust might make its next acquisition, bringing price increase in the shares of several companies in which Hanson is rumoured to be intersted.

City analysts calculated that the group is now in a position to spend £1bn or more. "Hardly anyone's safe more," said one.

Lord Hanson, chairman, said that the share issue would "provide a strong stable platform for internal growth from which future major acquisitions can be contemplated."

The company's strategy of expanding in both the UK and the U.S. followed since the early 1970s, would be unchanged. "We believe that our commitment to investment in basic industries on both sides of the Atlantic ensures that our growth will continue into the future," Lord Hanson said.

The group agreed that it was now



in a position to buy companies larger than any of its five most recent big acquisitions – Berec Groupo (£95m), UDS (£255m) and London Brick (£247m) in the UK, or McDonough ($180m) and US Industries ($532m) in the U.S.

Group borrowings of £460m net will be eliminated once the proceeds of the rights issue are collected.

Shareholders are being offered one new ordinary share at 185p for every six held to raise £370.3m. In addition the company is raising £148.7m from £15¼ per cent cumulative convertible preference shared.

These will be offered on a one-for-nine basis to shareholders, and on the basis of one for every £11.70 of 8 per cent unsecured loan stook.

Shareholders can choose to take one or both of the issues, which have been underwritten by merchant bank N. M. Rothschild. And, in a move designed to make such a large issue more acceptable to investors, the group is offering both the new ordinary and the preference shares in a partly-paid form, with payments due in two instalments.

Hanso also forecast a final dividend of 2.7p for the year to the end of September, making 4.2p, an increase of 26 per cent. Hanson shares fell 11p to 211p yesterday.

Hanson Trust has recorded continoues growth since it joined the stock market in 1964. Its expansion in both the UK and the U.S. has been particularly rapid in the last five years when pre-tax profits have leapt from £39.1m in 1980 to £169.1m last year. Last week, the company announced increased interim profits of £106.1m pre-tax.

Since the company's last rights issue – £42.7m in 1981 – the market capitalisation has grown from £301m to £2.6bn, making Hanson Trust, the UK's 10th largest group.

Yesterday's cash call takes the amount raised in rights issues so far this year to a record £3.2bn, against £1.5bn for the whole of last year.

Lex, Page 16; Background, Page 20

China opposed to wide-scale entry of international banks

BY ROBERT THOMSON IN PEKING

CHINA is not ready for the wide introduction of branch offices by foreign banks or for free and open trading in shares, according to Chen Muhua, president of the People's Bank of China.

Peking had received numerous applications from banks in Europe, the U.S. and Japan to open branches in its special economic zones as a means of getting more of a foot in China's banking door, she said. These applications were "now being studied."

She stressed, however, that the rest of the mainland would remain off limits for such services.

"As we lack experience in this field, it is far too early for us to permit foreign banks to set up branches in other parts of the country," Chen said in a question and answer interview in the weekly magazine, Peking Review.

"The branch offices of the Hongkong and Shanghai Banking Corporation and the Chartered Bank in Shanghai are an exception. They were left over from old China and we have not changed the fait accompli."

At last count, 72 foreign banks had representative offices in China, most of them in Peking. They have been hoping for approval from the Chinese government to expand their services.

On the subject of buying shares, Chen, who is also a state councillor, said that the open door policy had led to "many new things" appearing, including "the pooling of funds and issuing of stocks and bonds."

Articles have been published in several magazines supporting the wide-scale introduction of share capital. There have also been reports of limited share issues in Guangdong province in the south and of another case by an industrial company in Shanghai.

"We are now studying these developments. Our general principle is to give support to all things that are beneficial to the economic development," Chen said.

"At present we have not given consideration to whether stock shares can be sold and bought freely. The belief abroad that China has restored the stock exchange is not true."

There has been much discussion in foreign financial circles about the viability of China's foreign exchange reserves, which fell by $2.25bn from $16.67bn in the last quarter of last year. Chen attributed the fall to an "all-time high level of imports."

"We think such a fall in foreign exchange reserves is normal because it is a reflection of the development of our economic and technological co-operation with other countries. Overseas countries can have confidence in making investment in China."

BIS chief calls for continued economic growth

By Peter Montagnon in Basle

MAINTAINING the momentum of recovery is now the most important task of economic policymakers in the industrial world, M Jean Godeaux, president of the Bank for International Settlements (BIS), said in Basle yesterday.

"Last year saw a continued upswing with growth in the Group of Ten industrial countries reaching an average 5 per cent, a rate reached only once before since the first oil shock of 1973," he told the bank's annual meeting.

But several problem areas remain, including unemployment and inflation, exchange rate volatility, external payments imbalances and the international debt situation.

The BIS annual report, published yesterday, again stresses the need for an orderly reduction in the U.S. budget deficit as a central plank in steering the U.S. economy towards a soft landing with a gentle moderation in growth and declining interest rates.

"We have not abolished the business cycle and I don't believe we can abolish it," Prof Alexandre Lamfalussy, the bank's general manager, said yesterday.

Details, Page 4. Argentine debt rescue, Page 7

Blueprint for the European Architect

By Paul Cheeseright in Luxembourg

TRADE ministers yesterday gave birth to the European Architect. And they gave themselves a hearty round of applause to celebrate the end of 17 years of discussion on how to give each other's architects the right to work in any EEC country.

The "birth announcement" weighed in as a 32-article directive with two annexes plus a series of statements in the minutes and justified by the use of "whereas" 30 times.

European Architect will have at least four years' full-time study or six years' study of which three must be full-time. In the case of West Germany, he or she can have three years of study plus four years' experience.

The German technique of training produced the snag that has caused years of discussion to stall. It is all a question of the Fachhochschulen in the provinces; their training is only three years.

So with machiavelian subtiety, Italy hit on the idea of merging training and experience.

But even in the last hour-and-a-half before the applause, the snags kept coming. The Greeks were worried about architects coming to practice in the Community from outside; they were promised a Commission study.

France had some drafting difficulties, too: members of an advisory committee to oversee the whole process of architect movement should be appointed formally by governments, not by the profession.

It was only when Lord Cockfield, the Commissioner for the internal market, suggested the Ten should vote that the bickering stopped.

It was a protracted gestation and a troublesome birth, but architects will, in two years' time, join doctors, dentists, veterinarians, senior nurses and midwives as Community people who have freedom to establish themselves in any member country.

THE LEX COLUMN

Lord Hanson goes big-game hunting

The voraciousness of Hanson Trust knows few bounds, least of all those set by its last balance sheet. For that reason, nobody in the City would have been remotely surprised by a £500m takeover bid from Hanson: at any given time, stock market gossip has three or four candidates on the rack. Not only that, but the usual reaction to a Hanson bid is to mark up both share prices; Hanson has in recent years enjoyed the priceless gift of reaping value in its own share price from things that it has not yet bought.

Yesterday it was quite otherwise with Hanson's decision to ask for £500m of equity, without so much as nominating its next victim. Hanson not merely caught the market on the wrong foot – by asking rather than offering – but saw a perfectly conventional rights-issue discount taken out of its share price, when the conglomerate arithmetic might have assured a premium if the shares had been issued in the course of an actual bid. Down 11p yesterday to 211p, Hanson's equity-raising may temporarily have caused it to drop a place or two in the list of the UK's largest companies – as measured by market capitalisation.

This churlish reaction no doubt stands to be put right as soon as the takeover machine is set visibly in motion, giving the institutions a prospect of their favourite three-waybet: a profit on the target company, added to an uplift on their ever-increasing holding of Hanson and a choice of interesting new investment propositions as Hanson disposes of the things it doesn't fancy. If Lord Hanson can indeed pull off this alchemist's trick yet again – and on a larger scale than ever – the City ought to lobby for an earldom. If it were not for Hanson's famous ability to sweat the assets down – an option not open to the institutions as direct owners of industrial companies – there would surely be some question whether they ought to be investing so heavily in such a roundabout way.

In clearing the financial decks so thoroughly, Hanson has at any rate prepared itself to launch a takeover large enough to make a real difference to earnings – a task which gets harder all the time. At this level, assuming Hanson uses its broader equity base to gear up as heavily again, it is looking as if nothing worth under £1bn would be worth bothering with, a thought which might get some old favourites off the hook: Courtaulds, Bowater and Tate & Lyle, may all be hoping that they now figure as slightly too small for the Hanson net. On the other hand, it is no longer possible to rule out multiple bids – which will just make the speculative game – spot the Hanson bid-stock – even more fun to play.

Amersham

Three years after flotation, Amersham is proving a most maddening business. Labelled in London as a wonder growth prospect in diagnostics, Amersham showed yesterday that it could grow all right – at 24 per cent pre-tax last year – but not at all from diagnostics.

That is not all. The City has acquired an aversion to radioactivity and duly pushed the share price up to its peak in May when Amersham said it would introduce a non-radioactive diagnostic test for trials in West Germany in the autumn. In fact, the research expenditure on the new system wiped out any profits improvement in the medical division and will no doubt go on depressing margins until 1986–87. It may be even longer before the system is making money in the U.S. – the only market where traditional radioactive testing is going seriously out of fashion.

For the moment, Amersham can surely still grow by packaging radioactivity in weird and wonderful ways– but not necessarily preeminently for the crowded diagnostic market. After all, Amersham has built up just the sort of car-chase distribution system that suits products with short half-lives. Supplying U.S. research laboratories may carry translation risks and industrial customers are exposed to the cyclical forces in their industries, but it is hard to see why these businesses should be on much lower multiples than making diagnostic kits (whatever they may be).

Retail sales

Not much can sensibly be deduced from a single month's provisional retail sales figures but, taken together with the revised numbers for the earlier months of this year, the message of the May statistics produced yesterday was abundantly clear. The seasonally adjusted volume index has now risen for four months in success on and, in value terms, sales stand 10 per cent above the level of a year ago.

Any number of special factors can be marshalled to explain the pronounced spring bounce. The ending of the miners' strike has undoubtedly contributed to consumer confidence, back-payments to local government workers have by now worked through in to the shops and PAYE codings have been adjusted to accommodate the changes in the budget. From now on, the going should be tougher. Inflation will be on a rising trend until next month and the recent weather will have done nothing for sales of summer frocks.

So a buoyant level of retail sales in the summer months would at least show that the Government's benign neglect of broad money is keeping all the retailers happy; unless, of course, all this extra spending is the work of high-rolling tourists. In that event, the smiles would be rather broader at House of Fraser than at J. Sainsbury.

W. German GNP falls 1%

Continued from Page 1

While capital spending climbed by 2.5 per cent in the first quarter of 1985, both state and private consumption were down on the final three months of last year. The last dovetails with the gloomy interim reports from the leading retail chains in West Germany.

According to the Ministry, exports grew by 1.5 per cent in real terms in the January-March period, while imports rose by 2 per cent. Even so, the five leading West German economics institutes predicted in May that the trade surplus would jump from DM 54bn ($17.4bn) in 1984 to possibly DM 75bn this year, while the current surplus might double to DM 35bn.

Despite such apparent leeway, the Government – and in particular Herr Gerhard Stoltenberg, the Finance Minister – is refusing to adopt major reflationary measures. Some action is promised by the end of this month, but primarily to help the building industry. Herr Kohl refused again at the weekend to bow to pressure and push through the scheduled DM 20bn tax cuts all at once next year instead of, as planned.

Lonrho threatens to sue BA over Laker

Continued from Page 1

were in the court to hear the judgment, which ended with a clear direction from Mr Justice Leggatt: "It were better to leave such litigants to the consequences, in terms of litigation, to which the international character of their trade or business has rendered them vulnerable."

Sir Freddie said afterwards that he was "very pleased" with the outcome but expected an appeal. Midland Bank confirmed that it would indeed be appealing: the judge has granted it an extension of the injunction for a maximum of 14 days, during which it intends to seek leave to appeal and will also be asking the Court of Appeal for another injunction pending the final result.

Sir Freddie and Mr Beckman were also present at the afternoon meeting in the offices of Lonrho between Sir Edward du Cann, Mr Rowland and BA's lawyers. BA has laid down as a condition for any out-of-court settlement in Washington that no further litigation should be launched against it on the basis of Sir Freddie's affairs either before or after the Laker Airways' collapse.

Yesterday's meeting with Lonrho was BA's first attempt to discuss this condition with Lonrho, which was Sir Freddie's partner in Skytrain Holidays and People's Airline, both launched in the autumn of 1982.

BA's lawyers are believed to have indicated the possibility of a nominal compensation figure for Lonrho – Sir Freddie has accepted the principle of a $8m payment for himself – but the group's chairman objected that this took no account of the lost potential of the airline. Lonrho claims it had projected profits of $10m a year before running foul of an alleged conspiracy by the international airlines.

Meanwhile, it has emerged that the contingency fee contract between Mr Morris and Mr Beckman provides for a payment to counsel equivalent to 20 per cent of any damages secured in a successful action.

The out-of-court settlement proposed by BA and its co-defendants offers just under $65m cash, of which $8m has been earmarked for Mr Beckman. However, the plaintiff's lawyers are insisting that the true value of the settlement ought also to take account of all the money owed by Laker to its creditors which would be written off under the settlement terms

Craxi wins vote on wage indexation

Continued from Page 1

That is widely seen as a bargaining tactic to oblige unions and government to reach agreement on a substantially reduced level of wage indexation for next year.

The next big event in this summer of voting is the start on June 24 of elections by both houses of parliament of the next president of the republic. The seven-year term of 88-year-old Sig Sandro Pertini expires early next month.

The rebuff the Communists have suffered over the referendum may reduce their bargaining power over the choice of the new president of the republic, and give the Christian Democrats and Socialists a freer hand. But it is still anyone's guess who will finally emerge as president.

Once the new president has been elected, Sig Craxi will formally offer his resignation.

Our Markets Staff writes: Trading on the Milan bourse was strong in advance of the outcome of the referendum. The Banca Commerciale index added 2.63 to 314.30 while key indices in other European stock markets generally lost ground.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	F	23	73	Malaga	F	23	73	Salzburg	F	21	70
Akrotiri	S	29	84	Faro	S	25	77	Malta	—	—	—	Seoul	C	27	81
Algiers	F	25	77	Florence	C	22	72	Manila	C	30	86	Singapore	C	32	90
Amsterdam	C	12	54	Frankfurt	C	12	54	Miami	S	32	90	Stockholm	F	16	61
Athens	S	31	88	Funchal	F	22	72	Milan	S	22	72	Strasbourg	F	11	52
Bahrain	S	35	95	Geneva	R	12	54	Moscow	C	14	57	Sydney	F	20	68
Bangkok	S	33	91	Gibraltar	S	21	70	Munich	C	15	59	Taipei	C	30	86
Barcelona	S	22	72	Guernsey	S	13	55	Nairobi	-	—	—	Tangier	-	—	—
Beirut	S	30	86	Helsinki	F	15	59	Naples	F	25	77	Tehran	-	—	—
Belgrade	S	20	68	H. Kong	C	28	82	New Delhi	C	37	99	Tel Aviv	S	28	82
Berlin	F	15	59	Innsbruck	C	20	68	New York	S	24	75	Tenerife	-	—	—
Biarritz	C	17	63	Inverness	C	11	52	Nice	S	21	70	Tokyo	C	21	70
Blackpool	S	13	55	Istanbul	S	25	77	Oporto	S	23	73	Toronto	F	21	70
Bordeaux	C	16	61	Jersey	F	14	57	Oslo	R	12	54	Tunis	S	25	77
Brussels	C	11	52	Jo'burg	F	18	64	Paris	F	14	57	Valencia	F	25	77
Budapest	F	20	68	Las Palmas	S	26	79	Prague	F	11	52	Venice	R	18	64
B. Aires	F	14	57	Lima	C	19	67	Reykjavik	R	8	46	Vienna	F	19	66
Cairo	S	36	97	Lisbon	S	25	77	Rio de J'o	C	24	75	Warsaw	C	16	61
Cape Town	C	18	64	Locarno	C	19	66	Rome	F	23	73	Zurich	F	15	59
Caracas	C	28	82	London	C	14	57								
Casablanca	-	—	—	Los Angeles	F	30	87								
Copenhagen	F	12	54	Luxembourg	C	11	52								
Corfu	S	27	81	Madrid	S	25	77								
Dublin	F	14	57	Majorca	S	24	75								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Canadian stake in UK's Telegraph

BY LIONEL BARBER IN LONDON AND BERNARD SIMON IN TORONTO

MR CONRAD BLACK, a wealthy Canadian industrialist and chairman of the privately-owned Ravelston Corporation, has paid £10m ($12.6m) for a 14 per cent stake in the Daily Telegraph Group, which owns Britain's Daily Telegraph and Sunday Telegraph newspapers.

Mr Black will be the single largest outside shareholder in the group which is controlled by the Berry family led by Lord Hertwell, the 74-year-old chairman. Mr Black will also join the Telegraph board as a non-executive director.

The Telegraph Group said last night that it had secured agreement in principle from UK institutions and the Ravelston Corporation, to subscribe to £30.1m in new shares. The funds, together with securing £80m of debt, will help pay for two new printing plants in London and Manchester.

Raising the £30m funds through a private placing of shares has proved difficult for the Daily Telegraph's financial advisers, NM Rothschild merchant bank and Cazenove, the UK stockbrokers.

The new shares represent around 40 per cent of the enlarged share capital of the group. The Telegraph said last night that the subscription of funds is conditional upon agreement from a syndicate of financial institutions to provide debt, lease and hire purchase finance for £80m capital expenditure.

The debt and lease finance is being provided by a syndicate led by Security Pacific International Leasing (Europe) Inc, and another group company, joined by Wardley London, and the National Westminster Bank, the Daily Telegraph's clearing bank. GATX Equipment Finance (UK) is providing hire purchase facilities.

Last night, Mr Black's investment was described by the Telegraph's advisers as "purely passive."

Men and Matters, Page 14

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SECTIONS II & III – COMPANIES & MARKETS
FINANCIAL TIMES
Tuesday June 11 1985

TWA may seek friendly merger

By Terry Dodsworth in New York

TRANS WORLD Airlines, the U.S. transatlantic carrier, was in hectic negotiations yesterday on a series of possible alternatives to the hostile takeover proposal from Mr Carl Icahn, the Wall Street investor.

The company refused to give details of its discussions, but it is believed to have considered a variety of approaches, including mergers with two other U.S. airlines, Eastern and Texas Air, and a bid from Resorts International, the hotel and casino operator.

In addition, TWA has also looked at the feasibility of a leveraged buy-out by its own management, a manoeuvre frequently used by companies that want to remain independent. Under a leveraged buy-out, senior management borrows heavily to finance the acquisition of the equity in a company.

TWA shares rose by $½ on Friday to $19½ but remained unchanged in early trading yesterday, with Wall Street speculation mainly centring on a bid from Resorts International, a secretive Atlantic City-based group.

Resorts International made a loss last year of $4.7m on revenues of $484m but has a strong balance sheet, with substantial cash in hand.

Mr Icahn already has a strong position in TWA, after acquiring 32.8 per cent of its shares over the last few weeks. His proposed offer, at $18 a share, would value the airline at $621m.

Shell Oil buyout completed

By Our Financial Staff

SHELL OIL of the U.S. has become a wholly owned subsidiary of SPNV Holdings, which itself is a wholly owned company of the Royal Dutch/Shell group, thus completing the bid to buy out the minority shareholders.

SPNV said the present directors, officers and managers of Shell Oil would continue in office and that "the business and affairs of Shell Oil will be operated under their control in the same manner as before."

Completion of the deal comes despite continuing litigation from some of the minority shareholders.

Gulf Canada to sell drilling fleet, Page 18

William Hall and Paul Taylor in New York assess the impact of the Supreme Court's ruling

Marriage licence for America's little banks

THE Supreme Court decision yesterday upholding the constitutionality of regional banking compacts represents a monumental decision which could reshape the face of U.S. banking, according to Wall Street analysts.

Ever since Citicorp, the world's largest banking group, challenged the first of these regional banking agreements in New England last year because it feared it would be prevented from obtaining a foothold in one of the more attractive banking markets, the rest of the banking community has awaited the Supreme Court decision with bated breath.

The ruling is crucial both to the major money centre banks and their regional counterparts. The big banks are anxious to expend into faster-growing markets, such as the south east, and reduce their over-dependence on Third World lending and limited local deposit bases.

But rapidly-growing regional banks have been guarding their turf jealously. With Congress unable to make up its mind on the issue of nationwide banking the states, pushed by local bankers, have seized the initiative. Up and down the U.S., local legislation has been passed which allows mergers between banks in states with similar laws in the same geographic region – but excludes the major money centre banks. Effectively, the trend towards regional pacts has been a defensive strategy.

A total of 22 states have passed some form of reciprocal banking legislation – and 13 of them have specifically excluded New York, the financial centre of the U.S. from their plans. The general purpose of these regional banking compacts, most of which have been passed in the last two years, is to give local banks time to consolidate their resources ahead of any wider move towards nationwide banking.

A handful of regional banks, such as Sun Banks in Florida and Trust Company in Georgia, have already put together multi-billion dollar merger plans, but most have waited for the Supreme Court decision.

Prices of regional bank stock, particularly in the south east, had risen dramatically as investors bet on the pacts generating a wave of takeovers. Most money centre bank stocks, meanwhile, have been weighed down by credit quality problems at home and abroad.

The regional banks' current strength is reflected in their stock market capitalisations. NCNB of North Carolina, for example, with $15.7bn in assets, is valued at $1.3bn, while Manufacturers Hanover, which is more than four times as big in terms of assets, is capitalised at just $1.6bn.

Yesterday, following the Supreme Court decision, regional bank shares soared in heavy trading. The sharp spurt in share prices reflects Wall Street's conviction that the decision will precipitate a flood of takeovers at premium prices among regional banks, and spur other states to follow the example set in New England and the south east.

Mr Mark Alpert of Bear Stearns said yesterday that he believed the decision "could lead to the emergence of more than half a dozen regional banking companies with assets of between $30bn and $40bn"

Among the regionals which could emerge as major rivals to the money centre banks over the next few years are NCNB National Bank, Barnett Banks of Florida, Wachovia Corporation and Sun Trust Banks. All are primarily domestic banks with above average growth and vastly superior profitability compared with most of the bigger rivals.

The best hope for the New York majors, which have tried various methods to circumvent the general federal barriers to interstate banking now appears to lie with Congress.

Although Congress has failed repeatedly to grasp the thorny issue of interstate banking, a strong lobby is emerging supporting a comprehensive bill which would address this and other issues. Earlier this year Mr Paul Volcker, chairman of the Federal Reserve, added his weight to the push for Congressional action, laying out a blueprint for the phased introduction of nationwide banking within three years. His plan would use the regional agreements as an interim step in the move towards full interstate banking.

Kosmos still wants Borregaard shares

By Fay Gjester in Oslo

KOSMOS, the Norwegian industrial, offshore and shipping group, still wants to buy the shares of another large industrial group, Borregaard, with which it would like to arrange a merger. Its continuing interest pushed Borregaard price up to Nkr 442 per share on Friday.

Kosmos' drive to acquire a major stake in Borregaard appeared to have been thwarted about a fortnight ago, when three of the latter s largest shareholders refused an offer for their shares. Kosmos continued buying, however, and by the weekend had moved into second place among Borregaard's share holders, with a stake of just over 10 per cent.

Kosmos and Borregaard are involved in many of the same activities – forest products, including production of sulphite cellulose and magazine paper, forestry and production of refined edible fats. Kosmos' management believes that a merger could offer important synergistic advantages.

● A NKr 178m ($20.1m) share issue by Bergen Bank, Norway's third largest commercial bank, attracted subscriptions totalling NKr 206m, the bank announced. Priced at 125 per cent of par, the issue will raise share capital to NKr 863m. It has increased the number of Bergen Bank's shareholders – individuals, companies and institutions – by 7,800 to 49,000.

Payment for the new shares, which will get full dividend for 1985, is due by June 17.

● Norsk Hydro, the Norwegian industrial and energy group, has secured government approval for its scheme to build a NKr 650m new fertiliser facility at its industrial complex at Porsgrunn, eastern Norway. The new factory will boost fertiliser capacity at the Porsgrunn complex by 550,000 tonnes annually to more than 2m tonnes.

Nuovo Ambrosiano earns the Vatican's blessing

BY ALAN FRIEDMAN IN MILAN

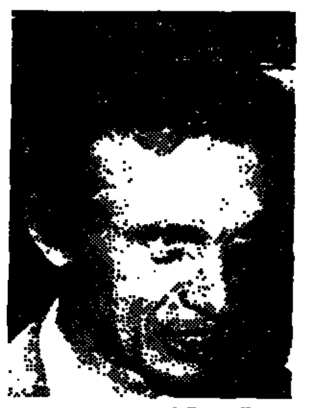
THINGS appear to be coming right at Nuovo Banco Ambrosiano (NBA), the Milan-based successor to the late Roberto Calvi's failed Ambrosiano group. This week should see the completion of a L150bn ($77m) capital increase, achieved through the conversion of warrants held by 35,000 former shareholders of the Calvi bank.

The net effect of "operation warrant" is that something like 75 per cent of NBA will be in private hands. Only two state banks remain shareholders, and the bank is poised to go ahead with plans to seek a share quotation on the Milan bourse, an indication that the trauma of the Calvi years is finally consigned to the past.

The warrant exercise is NBA's way of compensating the thousands of shareholders in Ambrosiano who lost their shares, which were valued at L40,000 apiece at the time of the crash in 1982. Old Ambrosiano shareholders were offered three warrants for every share held to subscribe in May 1985 for shares in Nuovo at L1,000 each. The only condition imposed was that the shareholders maintained a deposit account with the new bank.

The buoyant response from old shareholders suggests that Nuovo Ambrosiano is a respectable institution which can attract investors. More specifically, however, the success of the warrant exercise is a logical shareholders' response to two factors; the L1,000 price per share available with the warrants is less than the L1,300 paid in February when Istituto Mobiliare Italiano (IMI), the state corporate finance institution which was part of the seven-bank rescue pool in 1982, sold its 16.7 per cent stake in Nuovo to a consortium of private banks from the Veneto region. Anyone holding shares in NBA stands to gain when the bank is finally quoted on the Milan bourse, probably towards the end of this year.

The warrant exercise raises NBA's capital from L600bn to L750bn. But its real importance is that it is another step towards the rehabilitation of the bank, which in 1982 was reconstituted with four private bank and three state bank shareholders. At the time the state-private split was 50–50.



Sig Giovanni Bazoli: NBA chairman

Although Nuovo lost L24.9bn in its first 11 months of its life, it broke even in the year to June 1984 and even achieved a modest L1,1bn ($563,000) net profit for the six months to December 1984.

NBA's total deposits have climbed from L1,900bn in August 1982 to L3,900bn as at last December, a reasonable achievement even if the bank remains relatively small.

The next key step for Nuovo Ambrosiano comes in July, when the bank is to announce details of a plan to merge itself with its 47 per cent owned and listed subsidiary – the La Centrale financial holding company. This merger, a complicated transaction because it involves taking the unquoted NBA and combining it with a quoted subsidiary, was made necessary last year when the Bank of Italy blocked the proposed sale of La Centrale to a group of Veneto banks (mainly the same ones who bought IMI's 16.7 per cent stake in February).

Following the merger, NBA should have total capital of at least L1,000bn plus close to 50,000 shareholders. The rehabilitation will have been more or less completed.

The only vaguely contentious issues remaining concern the role of the Veneto banks and the news that Istituto per le Opere di Religione (IOR), the Vatican bank, has become a shareholder in Nuovo Ambrosiano. Some Italian analysts suggest that the real goal last year of the Veneto banks, in seeking to acquire La Centrale, was its lucrative Banca Cattolica del Veneto subsidiary. Having failed to get their hands on the Cattolica deposit base in the Veneto region, the Veneto banks took another route, buying IMI's 16.7 per cent stake in NBA and a further 5 per cent held by the private Credito Emiliano.

All in all, Italian bankers say that NBA is not only back in the private sector, but also partly back to its roots as a Catholic bank. As if to emphasise this, it emerged last week that the Vatican bank has become a Nuovo shareholder. The Vatican, using warrants-for-shares, is back only one year after paying $241m "in recognition of moral involvement" to creditors of the collapsed Calvi bank. The Vatican bank was the direct and indirect owner of 10 of the overseas dummy companies to which the Calvi bank lent $1.3bn.

Does the Vatican's return as an Ambrosiano shareholder matter? Probably not, but given its past association with the shady activities of Calvi, some bankers in Milan reckon the return of the IOR as a shareholder "is not in the best taste."

Meanwhile, Nuovo Ambrosiano is putting its house in order. Gone are the intrigues of the Calvi era and instead the successor bank is plodding along, doing the right things in the eyes of the Italian financial community. As the Italians would say, *meno male*, or "finally it is done."

NMB plans West German foothold

BY LAURA RAUN IN AMSTERDAM

NMB (Nederlandsche Middenstandsbank), the third largest Dutch commercial bank, plans to enter the West German market through a takeover of Nederlandse Credietbank (Deutschland) of Hamburg, a subisidiary of the Amsterdam-based NCB.

NCB Deutschland had a balance sheet total of DM 260m ($4.4m) at the end of last year and 36 employees. Staffing at the Hamburg bank is not expected to be affected by the takeover, according to both NMB and NCB.

NCB was completely acquired last year by Chase Manhattan Bank, which has a number of branches in West Germany, including Hamburg. Chase Manhattan has been aggressively reorganising NCB, including the closure of 16 branches in the Netherlands last year and an integration of foreign operations into Chase's network.

NMB, meanwhile, has been expanding its international network of branches, with the takeover last year of Inter-Alpha Asia of Hong Kong and Singapore and plans for a branch in Tokyo. NCB Deutschland will open the door to West Germany, which is the Netherlands' largest trading partner.

NMB, which has 30 offices worldwide, had a balance sheet total of Fl 68bn ($19.6m) at the end of 1984. NCB had a balance sheet total of Fl 15bn.

EUROBONDS AND CREDITS

Buying interest subdued in market

BY ALEXANDER NICOLL IN LONDON

FRIDAY'S dramatic shake-out in the New York bond market had a becalming effect on the Eurobond market yesterday. The recent flurry of tightly priced dollar issues was all but halted, and last week's issues mostly showed losses larger than the market's general half-point decline.

The atmosphere was one of apprehension rather than panic, with traders reasoning that a cut in U.S. discount rate was still by no means ruled out. They were encouraged by the fact that the New York market's tailspin appeared to have been halted yesterday. Nevertheless, buying interest in new paper has clearly been dampened for the time being.

Among last week's issues, the $100m 10-year, 10 per cent, par-priced issue for Seagram was trading at less 3¼, well outside its fees, Atlantic Richfield's $250m and Ford Motor Credit's $100m bonds were both bid at 4 points below par.

In these circumstances, it was not surprising that only one borrower, Japan Air Lines, braved the dollar market yesterday. It is issuing a $100m 10-year bond with a 10 per cent coupon and 100⅛ price, callable after seven years at 101½ per cent with half-point cuts in succeeding years. Bankers Trust International is running the books with LTCB International as co-lead. The issue was not well received but managed to stay within its 2 per cent total fees.

BHF Bank bond average		
June 10		Previous
102.793		102.847
High	1985	Low
102.860		99.840

The Mortgage Bank of Denmark, with the guarantee of the Kingdom, tested the absorbency of the New Zealand dollar market, which saw three issues last week. Mitsubishi Finance International is bookrunner for a NZ$50m 5-year issue, priced at par with a 16¼ per cent coupon. Total fees are 2 per cent and selling commission 1⅜ per cent.

More action was seen in continental Europe, though the biggest issue, a DM 500m 10-year floating-rate note from the Bank of Greece, met a poor reception in the market. The pricing at a quarter point above six months London inter-bank offered rates (Libor) was seen as over-aggressive for the name. Lead manager was Commerzbank, and the issue was trading around its total fees of 70 basis points.

Dresdner Bank led a DM 150m issue for Société Luxembourgeoise de Centrales Nucléaires, with a 10-year life, 7¼ per cent coupon and 99½ per cent pricing. It was trading at around its 1½ per cent selling commission.

The West German market lost between ½ and ¼ point in quiet business.

In Switzerland, Pan Am Corporation, holding company for the U.S. airline, made a SwFr 125m 10-year dual currency convertible issue, led by Soditic with an indicated coupon of 8½ per cent and conversion premium of 15 per cent. Under the dual currency facility, there may be repayments of $2,000 for each SwFr 5,000 principal amount.

A SwFr 200m 12-year issue for Manitoba was priced as indicated at par with a 5¾ per cent coupon by Union Bank of Switzerland. The SwFr 40m convertible for Okuma and Howa Machinery Ltd had its coupon cut to 1½ per cent from 1¾ by Morgan Grenfell en Suisse.

Mafina, a subsidiary of Belgium's Petrofina, issued a Fl 100m Euronote with a 5-year life, 7 per cent coupon and 99½ per cent pricing, led by NMB bank.

● Nationwide Building Society of the UK said yesterday that it plans to tap the sterling floating rate note market as soon as building societies are allowed to do so, probably this autumn, following changes in this year's budget. An initial issue of about £100m led by Credit Suisse First Boston is expected to be followed by further issues.

International bond service, Page 18

Innovative structure for BNP credit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BANQUE NATIONALE de Paris yesterday launched a $600m, 10-year facility in the Euromarkets with an innovative structure combining features of a standby credit with a floating-rate note.

The deal is believed to mark one of the first formal attempts to securitise a standby facility, adding additional flexibility to this growing sector of the Euromarket.

Led by Credit Suisse First Boston, it involves the issue of $600m nominal value of floating-rate notes, of which only $100m will initially be paid in. Unusually for the Eurobond market this first tranche will be in registered form and marketed only to a select group of up to 250 authorised banks.

The registered tranche will also carry an obligation on holders to subscribe to subsequent calls on the remainder of the issue by the borrower. Later calls will, however, take the form of bearer notes which can be broadly distributed.

"We've designed the deal as a conscious effort to create a securitised standby," Mr Philip Colebatch, a senior executive of Credit Suisse First Boston, said. He pointed out that both participants' commitments to provide money embodied in the registered tranche and any subsequent actual loans had been made marketable by the structure.

This had allowed BNP to offer a facility that was both cheap for itself and which should be attractive to its bankers, he said. BNP is thought likely to use the deal to refinance some of the more expensive standby credit it is obliged to maintain under French banking regulations.

Both the registered floating-rate note tranche and subsequent bearer note issues will bear interest at a margin of 5 basis points over Libor, but holders of the registered notes will also receive the margin on the uncalled portion, giving an effective total margin of 30 basis points on the first $100m tranche.

Additionally, subscribers to the first $100m registered tranche would receive commissions totalling 27½ basis points on the full $600m, CSFB said, while calls on the facility would be made at a 1 per cent discount in 1986, narrowing in stages to 10 basis points in 1994.

Bankers believe that, although these terms are broadly in line with what BNP would have to pay on a standby credit facility, they are substantially in excess of its likely borrowing costs on a conventional floating-rate note, and calls on the issue are therefore unlikely.

But the success of the new structure depends on the market's perception of the tradeability of the registered notes, which may only be bought by a limited group of authorised banks.

INTL. COMPANIES and FINANCE

Setback for U.S. textile maker

By Our Financial Staff

WEST Point-Pepperel, the U.S. textiles group which last week agreed to buy the Sanderson furnishing fabric business from Reed International of the UK, yesterday reported a 33 per cent fall in third-quarter net earnings, due mainly to the decline in its clothing fabrics segment.

Net profits for the three months ended May 25 plunged from $16.7m, or $1.62 a share, a year ago to $11.1m, or $1.08. This took earnings for the first nine months to $19.3m, or $1.87 a share, including a $8.2m pre-tax charge for mill consolidations, compared with profits of $44.9m, or $4.35 in the comparable period.

Sales in the latest quarter dropped from $356.2m to $307.9m, and from $1.01bn to $888.6m in the first nine months.

Third-quarter sales in the clothing fabrics business were $70m, down 30 per cent from a year ago, while sales in the household fabrics division were down 7 per cent to $186m, which was also a factor in the lower third-quarter profits.

Landis & Gyr sales up 20% in first half

By John Wicks in Zurich

LANDIS & GYR, the Swiss-based electric engineering group, reported a 20 per cent rise in turnover to SwFr 744m ($286m) for the first half of its 1984–85 financial year.

The board told shareholders that demand continued to grow in the U.S. and a number of European markets. Sales of electricity meters, industrial components and telephonic equipment were particularly strong. New orders altogether were higher by 13 per cent in the six months to March 31 than in the comparable period of 1983–84.

Landis & Gyr's profits had "developed favourably" as a whole, despite disappointing results in the UK and West Germany. Swiss and French subsidiaries' earnings advanced, with very gratifying results for U.S. units and for Billman Landis & Gyr, the Swedish air-conditioning concern.

The board forecast continued good results in the second half of the business year, failing any marked change in the economic or monetary situation.

Mitel's U.S. chief quits after shake-up

By Our Toronto Correspondent

A CORPORATE reorganisation at Mitel, the troubled Canadian telecommunications equipment manufacturer in which British Telecom plans to take a 51 per cent stake, has prompted the resignation of the head of the company's U.S. operations.

Mr Theodore Nanz, vice-president and general manager of Mitel's Florida-based U.S. subsidiary, said that his departure was the result of "recent organisational changes" in the parent company.

Mr Nanz, who joined Mitel five years ago, was apparently referring to last month's appointment of Mr George Gilmore to the new post of executive vice-president with responsibility for worldwide operations. Mr Gilmore joined Mitel last year from management consultants McKinsey and Co., with a brief to tighten the company's operating procedures

Mr Nanz's position in Florida has been taken by Mr Thomas Mayer, formerly vice-president for U.S. operations.

Gulf Canada to sell drill fleet

BY BERNARD SIMON IN TORONTO

GULF CANADA plans to dispose of the bulk of the Arctic drilling fleet owned by its subsidiary BeauDril following inquiries from several potential buyers.

An official of Gulf's wholly owned exploration and production unit, Gulf Canada Resources, said in Calgary yesterday that the company was willing to sell one of its two drilling units as well as three of four ice-breaking support vessels.

Gulf has set up the contract drilling operation over the past four years at a cost of C$674m (U.S.$491m) after dissatisfaction at terms offered by an existing contractor owned by Dome Petroleum.

The company plans to retain one mobile Arctic drilling unit named Molipaq, which was delivered last year and is best suited to year-round delineation drilling – exploring the limits of a prospect. Gulf recently made two significant discoveries in the Beaufort Sea and is now concentrating its efforts on determining their commercial viability.

The sale of BeauDril's assets is in line with last week's announcement that the property developer, Olympia and York, which proposes to acquire a stake of up to 80 per cent in Gulf from Chevron of San Francisco, may dispose of Gulf's non-core assets to help finance the C$3bn acquisition.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 10.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	102	102½	−0⅜	−0⅛	10.26
Amex Credit 12⅜ 88	150	107⅛	107⅝	−0¼	0	[illegible]
Bank of Tokyo 13⅜ 91	100	113½	114	+0⅜	+1¼	10.44
BP Capital 11⅛ 92	150	102¼	102¾	−0¾	−0¼	10.56
Caisse Nat Tele 13¾ 91	100	114⅛	114⅝	−0⅜	−0⅛	10.42
Canada 11½ 90	500	105⅞	106⅜	−0⅜	−0¼	9.81
Canadian Pac 12½ 99	75	104⅞	104¾	−3⅞	−3	11.81
CBS Inc 11⅞ 92	100	104½	105	0	+0⅛	10.41
Chevron U.S.A. 12¼ 89	600	104	104½	−1½	−1⅜	10.92
Coca Cola 11¾ 92	100	107¾	108¼	−0⅛	−0⅛	9.95
Denmark Kingdom 11½ 90	100	103⅜	103⅞	−0¾	+0⅛	10.57
Denmark Kingdom 11⅞ 92	100	102⅞	103⅜	−0½	−0¼	10.81
Denmark Kingdom 13¼ 91	100	110½	111	−0½	0	10.78
Denmark Kingdom 14 91	100	109¾	110¼	−0½	−0⅛	11.61
E.E.C. 11⅛ 90	100	103¾	104¼	−0¼	0	9.97
E.I.B. 13 96	200	110½	111	−0½	−0⅛	11.25
Export Dev Corp 12 89	100	105¾	106¼	−0¾	−0⅝	10.20
Exxon Capital Corp 0 2004	1800	13⅛	13⅝	−0½	+0⅛	10.91
Ford Motor Cred 11⅝ 95	100	101¾	102¼	−0¾	+1	11.26
Ford Motor Cred 11¾ 92	100	103⅜	103⅞	−	−	10.96
Gen Elec Credit 10¼ 00	200	99⅞	100⅜	−0½	−0⅞	10.23
GMAC 10¼ 89	200	99¾	100¼	−	−	10.25
IBM Credit 10⅜ 2000	300	100⅝	101⅛	−1⅛	−0⅞	10.24
IBM Credit Corp 11¾ 87	200	104⅜	104⅞	−0⅜	−0⅞	9.37
Indust Bk Japan 12⅞ 89	100	108⅝	109⅛	−0⅝	−0¼	10.19
Int−Am Dev Bk 12⅜ 91	150	108	108½	−0⅞	0	10.65
Japan Air Lines 13⅜ 94	180	117¾	118¼	−0¾	0	10.24
Kellogg Company 10⅞ 90	100	102	102½	−1¼	−0⅝	10.20
Kellogg Company 11¼ 92	100	104⅛	104⅝	−0¼	0	10.28
L.T.C.B. 12⅞ 91	100	109⅞	110⅜	−0½	+0¼	10.58
Macy Cred Corp 11⅜ 95	100	105¼	105¾	−1½	−0½	10.78
Mellon Bank 13 87	100	105⅜	105⅞	−0⅜	0	10.00
Merrill Lynch 12¾ 89	100	106	106½	−0⅜	−0⅜	10.82
Minnesota 11½ 87	100	103	103½	−0⅜	−1⅛	9.82
Mitsu Trust 11⅝ 90	100	103⅛	103⅝	−	−	10.72
Montagu 13¼ 91	100	107⅜	107⅞	−0¾	+0⅛	11.44
Morgan Guaranty 12⅜ 89	150	106⅞	107⅜	0	+0⅛	10.22
Nippon Cred Bk 13⅞ 89	100	110⅜	110⅞	−0⅜	−0⅛	10.52
Nth America 12⅞ 91	100	106	106½	−0¾	+0¼	11.40
Penney J.C. 12¾ 91	100	108⅞	109⅜	−0⅜	+0⅛	10.66
Pru Realty secs 12⅜ 95	545	109⅜	109⅞	−0⅛	+0⅜	10.46
Quebec Hydro 11½ 92	100	107	107½	0	+0½	10.05
Ralston Purina 11¾ 95	150	105½	106	−0¾	−0¼	10.77
Ralston Purina 12⅜ 89	100	107⅝	108⅛	−0¾	−1⅛	10.37
Royal Bk Can 12⅜ 92 XW	100	102	102½	−1	−0¾	12.20
Saskatchewan 10 3/4 92	100	101	101½	−1	−0⅞	10.46
Saskatchewan 11 7/8 89	100	106⅝	107⅛	−0¼	+0⅛	9.86
S.N.C.F. 12⅜ 92 XW	100	102⅞	103⅜	−0⅜	−0⅜	11.60
Statoil 13½ 89	100	111¼	111¾	−0¼	+0⅛	9.94
S Wales Trsy 11¾ 90	150	105¼	105¾	−0⅝	+0⅛	10.25
Swed Exp Cred 12¾ 89XW	100	106¼	106¾	−0¾	−0⅜	10.73
Sweden Kingdom 10⅞ 90	200	102	102½	−0⅜	−0¾	10.28
Sweden Kingdom 11½ 89	200	104½	105	−0¾	0	10.10
Sweden Kingdom 11¾ 94	100	106	106½	−0⅞	+0⅛	10.65
Texaco Capital 12⅞ 87	300	105⅛	105⅝	−0⅜	−0⅛	10.00
Tokai Asia 11½ 95	100	103⅜	103⅞	−	−	10.88
Victorian Rep 11⅝ 92	150	104⅞	105⅜	−0¼	+0⅜	10.55
Walt Disney Pro 12½ 87	150	†105⅜	105⅞	−0½	+0⅜	9.81
Weyerhaeuser 12¼ 87	150	104	104½	−0⅜	−0⅝	10.08
World Bank 12¼ 94	150	109⅛	109⅝	−1¼	0	10.59
World Bank 12⅞ 94	200	112⅝	113⅛	−0⅞	−0¾	10.60

Average price change On day −0⅝ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	102¾	103¼	0	0	7.53
Austria Republic 7⅝ 94	200	102½	103	0	+0¼	7.18
Baxter Travenol 7¾ 94	200	101¾	102¼	−0⅛	+0¼	[illegible]
Credit National 8⅛ 94	200	104⅞	105⅜	+0⅜	−0⅜	7.30
Degussa Int Fin 7½ 94	100	104⅝	105⅛	0	−0⅜	6.73
E.E.C. 8 92	200	103⅞	104⅜	+0⅜	+0⅛	7.18
E.I.B. 7¼ 94	300	99⅝	100⅛	−	−	7.25
Escom 8 92	150	100⅛	100⅝	−0½	+0¼	7.92
Ferrovie Dello Stato 8 91	100	102½	103	0	+0¼	7.39
Finland Republic 7 92	200	99	99½	−0¼	+0¼	7.14
Gould Int Fin 7⅝ 91	100	103⅝	104⅛	0	+0⅛	6.81
Ireland 8⅛ 92	150	102¾	103¼	0	+0¼	7.55
Japan Fin Corp 7⅝ 91	100	103½	104	0	+0½	6.85
Mitsubishi Hvy 3½ 89WW	300	113½	114½	0	+3⅜	−0.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int−Am Dev Bk 6⅞ 94	120	†102	102¼	+0¼	+0¾	5.82
New Zealand Govt 5¾ 94	150	†102½	102¾	+0½	−0⅛	5.38
N.Zealand steel 5¼ 96	70	†99	99¼	−0¼	+0⅞	5.85
Oberos Khwk 5⅞ 95	100	†98¾	99	+1	+0⅞	5.52
Ost Donaukraft 5⅜ 95	70	†99¼	99½	0	0	5.46
Ralston Purina 5⅜ 94	125	†99¼	99¾	−0⅜	−0⅜	5.44
Santos Finance Ltd 6 94	130	†98½	98¾	+0¼	+0¼	6.19
Tokyo Elec Pwr 5⅜ 93	120	†99¾	100	+0¼	+0¼	5.51
Tokyo Metropolis 5¼ 94	80	†99¾	99	0	0	5.40
World Bk 5¾ 94	150	†100¾	101	+0¼	−0¼	5.62

Average price change On day +0⅛ on week +0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	99	99½	0	+0⅜	7.20
BP Overzee 7 92	17	100⅛	100⅝	−0⅛	−0⅜	6.92
Fed Natl Mort 6⅞ 92	50	98⅛	98⅝	−0¼	−0⅜	7.18
Finland Republic 6¾ 90	15	99⅝	99⅞	−0⅜	+0¼	7.00
World Bank 6⅞ 90	25	98⅞	99⅜	−0⅛	+0¼	6.98

Average price change On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12¼ 97 C$	125	†106½	106	−0⅛	+1	11.53
British Columbia 12 90 C$	125	†103⅝	104⅛	−0⅜	+0⅛	10.81
Can Nat Rail 12½ 95 C$	100	†106½	107	−0¾	+0⅛	11.31
Chrysler Cred 12⅝ 92C$	60	†102⅞	103⅜	−0⅜	+1⅜	11.96
Desjardins 12½ 90 C$	50	†102¾	103¼	−0¾	+0¾	11.80
E.I.B. 12 95 C$	75	†102½	103	−0⅝	−0⅜	11.52
New Brunswick 11⅝ 95C$	75	†101	101¼	+0⅝	−0⅜	11.43
Gen Und Bk 10½ 93 ECU	60		105⅝	106⅛	−0⅛	+0⅛ 9.41
Rabobank 9⅝ 95 ECU	75	104	104½	−	−	8.88
World BK 10¼ 89 ECU	125	105⅝	105⅞	0	0	8.45
Eurofima 7½ 92 FL	50	100⅝	101⅛	−0⅛	−0⅛	7.38
Philips Lamps 7½ 90 FL	100	101¾	102¼	+0⅛	0	7.00
Rank Xerox 8 90 FL	100	102⅝	103⅛	0	0	7.37
Van Lanschot 7½ 90FL	50	100¾	101¼	0	+0⅛	7.25
World Bank 7½ 90 FL	150	100⅝	101⅛	0	−0⅛	7.30
Gaz de France 11¼ 00FF	500	100⅝	101⅛	−	−	11.14
American Brands 12 95 £	40	103½	104	−0⅛	−0⅜	11.32
Amer Express 11⅜ 92 £	30	102⅞	103⅜	−0¼	+0⅛	10.80
Australia Comm 11 92 £	40	98¼	98¾	−0⅛	+0⅛	11.33
BP Capital 10¾ 92 £	50	97⅜	98⅛	−0¼	+0⅛	11.17
E.I.B. 11⅞ 93 £	50	98½	100	0	+1⅛	11.90
Inco 12⅜ 93 £	50	101⅛	101⅝	+0⅞	+0⅜	12.02
Mcdonalds 10⅞ 90 £	40	98⅜	98⅞	−0¼	−0⅛	11.30
Norsk Hydro 11⅝ 91 £	50	101⅝	102⅛	−0¾	−0¼	11.10
Privatbanken 11⅛ 92 £	20	98⅜	98⅞	−0½	−0⅛	11.64
Rank Xerox 11 92 £	40	98	98½	+0⅜	+0¼	11.36
Royal Trustco 11⅜ 90 £	30	99⅝	100⅛	+0⅜	0	11.38
Star Drug Cap 10⅞ 90 £	30	98	98½	−0⅜	−0⅛	11.36
Swed Exp Cred 11⅜ 92 £	50	100	100½	0	+0⅜	11.28
Tsthouse Forte 11⅛ 90£	50	97⅛	97⅝	0	0	11.84
World Bank 11¼ 85 £	100	100	100½	−0⅛	+0¼	11.20
E.C.S.C. 10½ 94LF	100	105¼	106¼	−0⅛	+0⅛	9.32
Nat Lux Alum 10½ 92 LF	600	105⅛	106⅛	−0⅛	+0⅜	9.28

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L Int 5 99	0⅛	100½	100¾	11/10	9⅝	9.67
Banco di Roma 5¼ 92	0	99½	99¾	24/6	7.98	8.01
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	28/6	8.01	8.70
Bank of Montreal 5 96	0⅛	100⅝	100⅞	23/7	8¾	8.76
Bankers Trust 5 2000	0	99¾	100	11/6	8.81	8.82
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/9	8.85	8.54
B.F.C.E. 5¼ 99	0⅛	100⅝	100⅞	13/8	10.06	9.99
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/7	9⅛	9.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Carla Rapoport reports on a leading Japanese watchmaker's ambitions

Citizen aims for the big time

ONE OF the major reasons for the success of Japanese companies in world markets is the intense competition that they endure in their home market. In watches, the battle for number one has long been between Hattori Seiko and Citizen.

Only 55 years old to Hattori Seiko's 100-plus years, Citizen has long been the Avis to Seiko's Hertz. This year, for the first time, however, Citizen claims to have surpassed Seiko to become the world's largest manufacturer of watches. Hattori Seiko flatly says this is not true. Even so, the claim highlights the fact that Citizen still aims to be number one and will not rest until it achieves this goal. Whether it becomes number one is almost irrelevant. Its efforts, in the meantime, remain impressive.

The company is pursuing its strategy on a number of fronts. In watches, it is using its knowledge of machine tools to automate fully its assembly lines from start to finish, including case assembly. It is boosting spending on advertising in Europe and the U.S. to keep exports moving. And significantly, it is funding a move away from watches to protect its margins and to insulate itself from the difficulties of the mature market.

"The watch business's profits, as a percentage of overall profits, are still greater than watch sales as a percentage of the total, but we do not know how long that will last," says Mr Norihiko Yoshikawa, manager of marketing for Citizen Trading, the company's sales arm.

Expertise

Indeed, despite a 20.6 per cent rise in watch production last year — against a 9 per cent increase in production worldwide — Citizen's pre-tax profits went up by just 13 per cent to Y12bn ($48m) on sales of Y147.8bn. And the company said the increase was largely due to higher profits from "financial deals" — a term meant for improved asset and portfolio management, as opposed to higher operating margins.

Next year, the group projects similar profits. In 1987, however, Citizen predicts that sales will exceed Y200bn and pre-tax profits will hit Y17bn, which would push the group past its peak, reached in 1981. The key to this achievement will be to bring down watches from their current 78 per cent of total sales to just 57 per cent by 1987.

The hopes for this diversification are pinned on Citizen's move into industrial machines and information equipment. In the first category, Citizen has drawn heavily from its expertise in watch manufacturing. Not surprisingly, the group is already selling abroad its computer-driven lathes, machining sensors, automated assembly machines, automated parts feeders and assembly robots. It specialises in machines which automatically fix electronic parts into mechanical products.

Last November the group linked up with Marubeni, Japan's huge trading company, to gain a sales and technical service system in North America. Never a company to be accused of having modest ambitions, Citizen says it hopes to become "the leading manufacturer in the precision factory automation field."

The group has also moved into information equipment. Last year it built capacity for the production of large-sized liquid crystal displays, 3.5 inch floppy disc drives, and other office automation equipment. It also brought out a pocket-sized television. Though not before Seiko had done so.

Citizen remains largely unconcerned about competition from the recently reorganised Swiss watch industry. "It may be safe to say that the Swiss watch industry is halfway to reconstruction," says a Citizen executive.

Competitor

"Seiko is our number one competitor and we want to be number one in everything," says Mr Yoshikawa.

Citizen's diversification has not lessened its concentration on watches. It hopes to double watch sales in the next three years and to reap higher margins from its fully automated lines. The company's attention to detail has reached even to the near dormant mechanical watch market. Citizen discovered that African and Middle Eastern customers prefer the ticking watch which can be wound up. As a result, sales of mechanical watches jumped by 14 per cent last year, their first increase since the beginning of the decade.

HK police raid headquarters of Overseas Trust Bank subsidiary

BY DAVID DODWELL IN HONG KONG

OFFICERS OF Hong Kong's Commercial Crimes Bureau yesterday raided the headquarters of the Hong Kong Industrial and Commercial Bank (HICB), the subsidiary of Overseas Trust Bank (OTB) which has been rescued from insolvency by the Hong Kong Government at a cost to local taxpayers of at least HK$2bn (US$257m).

The raid came shortly after news that Hong Leong, the Malaysian - controlled finance group, has cancelled plans laid just a month ago to acquire control of HICB for just under HK$257m.

While Hong Leong's move was not unexpected, it underscores fears that this 62 per cent-owned subsidiary of OTB faces difficulties linked with the collapse of its parent. However, since the Government has taken complete control of OTB, guaranteeing its debts against the territory's exchange fund, it is assumed that there is no risk that HICB will also fail.

News of HICB's problems came as the staff in OTB's 44 local branches reopened their doors for the first time since last Wednesday night. While it remains unclear how large OTB's liabilities are, most observers said the Government's prompt action in coming to its rescue averted the very real possibility of a major banking crisis in the territory.

OTB is one of Hong Kong's largest locally-incorporated banks, with about 120,000 depositors accounting for deposits of around HK$7.4bn. It is understood that the government's prompt action was due as much to fears that alarmed depositors would riot as it was to fears of the financial implications of a collapse. Police were despatched to guard all OTB branches on Thursday last week, when it was realised that the bank's insolvency was unavoidable.

Calm seemed to prevail yesterday, with no pressure reported at any OTB branch. The Hang Seng index, the territory's most widely followed economic indicator, recovered almost 30 points to close at 1571.87 after dropping by more than 80 points on Friday.

A fourth OTB executive was charged yesterday in connection with the failure. Mr George Leow Tshun-L, the Singaporean Head of OTB's credit card operations, was charged in a local magistrate's court with conspiracy to defraud. He was refused bail.

The threat of a banking crisis has receded following the Hong Kong authorities' prompt bail-out last week of Overseas Trust Bank —the second such action in less than two years. Yet fundamental questions remain to be answered about the adequacy of prudential supervision in the Colony, and officials are likely to turn once again to outside financial experts for advice

The Government is studying how it was possible for OTB's auditors to have approved the bank's accounts without qualification when they were last prepared in the autumn. OTB's auditors are Sanford Yung, the local arm of Coopers and Lybrand of the UK.

It is understood that a major cause of OTB's problems was bad loans to the former head of a small deposit taking company, Dominican Finance, owned by Mr Simon Yip. Mr Yip, who was also Dominican honorary consul in Hong Kong, disappeared early this year, shortly before Hong Kong's Banking Commissioner suspended Dominican Finance. Loans from OTB since 1980 amount to about HK$900m.

Mr Patrick Chang, a senior OTB executive, who was arrested last week while trying to leave Hong Kong with over U.S.$1.5m in his suitcase, was using a Dominican passport at the time. OTB loans outstanding to directors of the bank are understood to amount to about HK$2bn.

The Government insists that no other banks are immediately vulnerable, though a number are on its "intensive care" list. It has at the same time made absolutely clear that the authorities will not move to rescue any other bank that fails —a move which most banking analysts predict will result in a "flight to quality" among depositors.

Banking reforms are already under discussion, but there is likely to be increased pressure for tighter regulation. Fresh calls for deposit insurance, long opposed by the big banks in Hong Kong, will receive fresh government attention in the weeks ahead.

Meanwhile, Sir John Bremridge, Hong Kong's Financial Secretary, has said the government is to call upon a "world class banking adviser" to consider the rationalisation of OTB and the best way of paving the way for the Government to resell it.

Mr Charles Perrin, from the London merchant bank, Hambros, was called in days before OTB collapsed, and is seen as a front-runner to fill this longer-term role. He would also be asked to prepare Hang Lung Bank—which the Hong Kong Government acquired in similar circumstances 20 months ago—for resale.

Kawasaki Steel may buy U.S. company

By Carla Rapoport in Tokyo

KAWASAKI STEEL, one of Japan's big five steel companies, yesterday confirmed that it is negotiating to buy a U.S. venture capital group which specialises in the manufacture of materials used by the semiconductor industry.

The move will be Kawasaki's first venture into the semiconductor field and marks its aggressive efforts to diversify away from steels and into smaller, niche markets.

The U.S. company is NBK Corporation, based in Santa Clara, with sales of around $10m a year. "This company is linked to a high-growth market," Kawasaki said yesterday.

It added that it is actively looking for more companies in this field to boost its diversification plans.

Last week Kawasaki announced a marked recovery in profits for the year to March, with pre-tax profits up to Y43.2bn ($173m) on sales of Y1,220bn.

IPIC seeks foreign outlets

By Angela Dixon in Abu Dhabi

ABU DHABI is poised to invest in petroleum products networks abroad through its Government-owned investment company, International Petroleum Investment Corporation (IPIC). Agreement in principle has been reached for the purchase of one U.S. distribution network, while negotiations have reached an advanced stage with companies in Italy, Belgium and France.

Mr Khalifa Mohammed al Shamsi, managing director of IPIC, said the corporation's main interest was in acquiring companies with a distribution network which included crude oil transportation, refineries, product transportation and retail outlets.

UK COMPANY NEWS

Research activities boost Amersham to record £17m

Amersham International recorded its fifth successive year of uninterrupted growth in 1984-85 by raising both sales and pre-tax profits by 24 per cent.

A strong performance by the research division together with some assistance from favourable exchange rates saw profits surge from £13.73m to £17.07m.

With increased sales in all sectors group turnover showed an improvement of £20.61m at £108.2m.

Looking ahead Dr Stuart Burgess, group managing director and chief executive expects further progress.

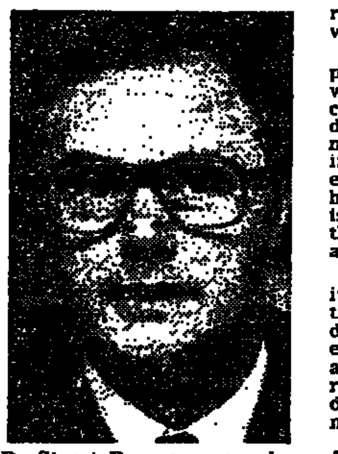
Meanwhile, the final dividend is being stepped up from 3.1p to 3.8p giving shareholders 1p more on their total at 6p net per 25p share.

Amersham, a producer of radio-active materials, was sold off by the Government early in 1982 at 142p per share amid strong criticism from the opposition. Initial dealings saw the shares soar to 190p. Yesterday they closed at 368p, a fall of 5p on the day.

A divisional breakdown of group turnover and operating profits (£18.57m against £14.6m) for the past 12 months to March 31, 1985 shows medical £48.65m (£42.07m) and £5.17m (£5.94m), research £41.4m (£31.45m) and £11.75m (£8.11m) and industrial £18.15m (£14.07m) and £4.27m (£2.63m).

A geographical analysis of turnover shows UK £14.83m (£13.69m), Rest of Europe £37.93m (£30.2m). The Americas £31.87m (£24.97m) and rest of the world £23.57m (£18.72m).

Dr Burgess says the results represent substantial progress by the group, assisted in part by favourable movements in exchange raes. He adds that a further all-round improvement in productivity helped fund additional investment in future growth.



Dr Stuart Burgess, managing director

In line with Amersham's declared policy of investing heavily in research, spending on this activity rose by 34 per cent to £10m net of Government grants. This expenditure represents 9.3 per cent of sales and an even higher proportion in real terms.

During the year a further £13.3m was invested in capital projects. At the start of the current financial year the company announced plans for a major manufacturing capacity expansion at Cardiff to cater for increased demand for research products.

The medical products division maintained its rate of growth in turnover despite severe competition and continued governmental restraint on health care spending worldwide.

Dr Burgess explains that profits from the medical business were again affected by a heavy commitment to research and development, principally on the new enhanced luminescent immunoassay system. Since the end of the year, this new system has been unveiled and production is on schedule for introduction to the market beginning this autumn.

In research products increases in sales and profits flowed from the programme of rapid new product introductions, directed equally towards non-radioactive and radioactive items. Most new research products launched during the year were for bio-medical research.

The improved sales and profits from industrial products were stimulated by the consolidation and extension of the economic recovery in its markets first noticeable towards the end of 1983-84.

Although Dr Burgess is looking for further progress during 1985-86 he points out that exchange rates generally have reversed their favourable trend and their overall effect on the year is uncertain.

Interest charges for 1984-£/ rose from £879,000 to £1.51m. Tax accounted for £5.52m (£4.66m) of which the UK share rose to £2.1m (£1.34m). Minorities took £931,000 (£873,000).

Earnings per share emerged at 21.2p, compared with 16.4p.

The directors point out that over the past five years the increase in sales has averaged 21 per cent and pre-tax profits 34 per cent.

See Lex

Selincourt forecasts 34% profit increase

By Andrew Arends

Sir David Nicolson, chair- of Selincourt, the fashionwear and fabrics group fighting off a £20.3m takeover bid led by Mrs Jennifer D'Abo, head of the Ryman office equipment chain, yesterday forecast a 34 per cent increase in its pre-tax profits "to at least £1.85m in the financial year to January 31 1986."

In a letter to sharehodlers, Sir David also launched an attack on Mrs D'Abo's management record at Ryman. He pointed out that Ryman's report and accounts for the year to end-December 1984 had been heavily qualified by its auditors.

The accounts, Sir David said, showed that even including one-off profits on the sale of investments of £63,953, Ryman made pre-tax profits of just £39,724, on turnover of £13.32m. This compares with losses of £1.73m on turnover of £11.36m in the previous year.

Moreover, he added, taking into account changes in accounting policy, such as the waiving of investment on a £4m 17 per cent unsecured loan, and other non-interest bearing loans of £385,000, Ryman would have made a loss of £814,164 last year.

Mrs D'Abo, who is bidding through Stormguard, a "shell" company, yesterday described Sir David's comments as "cheeky." Morgan Grenfell, her financial adviser, said that as of December 31 1984 the financial position of Paramace, the Ryman holding company was that shareholders' funds stood at £1.4m and net third party indebtedness at £420,000. "The impression Selincourt seeks to give is totally misleading," Morgan said.

Morgan added: "It is equally misleading to seek to include notional interest on inter-company indebtedness to undermine Ryman's real performance."

Stormguard is offering 13 of its own shares for every 10 of Selincourt. Stormgard's shares rose 2p yesterday to 28p to value its bid at 36½p per share. Selincourt rose ½p to 29½p.

Stefan Wagstyl on Hanson's £519m rights

Call that brought the City to life

THE CITY'S first reaction to Hanson Trust's £519m cash call was to come alive with speculation on what this corporate predator might buy next.

As one stockbroker said: "Somebody had better watch out."

Tate and Lyle, Boots and Coats Patons were just three companies whose shares rose on the stock market on rumours that Hanson might bid.

The company itself said it had no particular target in mind. But it made clear that the acquisitions which have multiplied the group's market capitalisation from under £1m to about £2.9bn in 21 years will continue.

Lord Hanson, the chairman, said that while the company's cash resources were enough for the needs of its current businesses, the money raised "will provide a strong stable platform for internal growth from which future major acquisitions can be contemplated."

Moreover, these acquisitions, whether in the UK, the U.S. or both, are to take the company further along the road it has followed since 1964—buying companies supplying basic needs like bricks and batteries.

"We believe that our commitment to investment in basic industries on both sides of the Atlantic ensures that our growth will continue into the future," said Lord Hanson.

For the City, however, these comments raise as many questions as they answer. For it seems inevitable that to maintain the company's formidable reputation for growth by acquisition as the group gets larger, Lord Hanson has to keep looking at bigger and bigger targets.

The rights issue will elminate group borrowings of £460m, leaving net cash in the balance sheet and leaving the group poised, in the City's view, for an acquisition of £1bn or more.

Clearly, it ds not just the potential rewards that increase, but also the risks. As Mr Bob Haville, who follows Hanson Trust for stockbroker James Capel, said: "They have to get right every time because the numbers now are so big that a mistake would have quite important implications for the group."

Twenty-one years of Hanson Trust

1964	Wiles Group, sack hire and fertiliser maker, stock market flotation; acquisition of Oswald Tillotson and Commercial Motors, bringing in Mr James Hanson.
19865	Welbecson acquisition, bringing in Mr Gordon White.
1968	£4.7m acquisition of Butterley, brickmaker.
1969	Name changed to Hanson Trust.
1974	Moves into U.S. with $32m Seacoast Products acquisition; White takes control of U.S. expansion.
1979	Successful £25m bid for Lindustries, failed $163m bid for Barber Oil.
1980	Agreed $180m bid for McDonough.
1981	Sale of McDonough's concrete and cement businesses for $49m.
1982	Successful £95m bid for Berec Group, Ever Ready battery maker.
1983	Takeover of UDS for £255m; sales of Richard Shops and other UDS subsidiaries ofr £152m.
1984	Successful bid battles for London Brick (£247m) and U.S. Industries ($532m).
1985	Failed £147m bid for Powell Duffryn.

But, as Mr Haville would be the first to admit, Hanson Trust has got it right on most occasions so far, with a 21-year history of unbroken profits growth culminating in an 86 per cent increase to £169m pre-tax for the year to last September on a turnover of £2.38bn. This year a further jump is expected, following the announcement last week of interim profits up 65 per cent to £106m.

Hanson now is a company with a broad spread of interests on both sides of the Atlantic—engineering, textiles and building materials are in the portfolio, it has interests in duty-free shops, fast-food distribution, furniture and footwear.

This conglomerate has grown in three distinct phases. In the early years, Lord, then plain Mr James, Hanson rivalled Mr Jim Slater for rapid acquisitions and disposals, building up a heady stock market reputation which plunged in the stock market crisis of 1974.

Hanson Trust, nevertheless, kept profits growing throughout the 1970s, but the market was slow to restore the high price/earnings multiple it had previously enjoyed.

In the UK, the group fought shy of acquisitions, making only one large purchase—Lindustries in 1979 for £25m.

But U.S. activities more than made up for the lull. In 1973, Mr Gordon (now Sir Gordon) White went to America to take charge of the group's activities—building up a business which now accounts for two-thirds of the total turnover.

The 1980s mark the third stage of the group's development. The recovery of the U.S. and the UK economies opened up new opportunities, highlighting companies where Hanson could move in quickly and produce rapid results with the help of buoyant markets.

An unprecedentedly strong bull market in London equities stimulated a re-rating of Hanson Trust's share price which allowed the group to use its paper aggressively.

In the UK, the acquisition of Berec, the Ever Ready battery maker, for £95m, was followed by the hotly-contested purchases of UDS for £255m and of London Brick for £247m.

Meanwhile in the U.S., the group bought McDonough, the footwear, hand tools and building materials conglomerate, for $180m and, in its biggest acquisition so far, the U.S. Industries manufacturing company for $532m.

There has been nothing inevitable about Hanson's success. Bid battles have often been bitterly fought, frequently against the entrenched opposition of the existing management. And on occasion, Hanson has lost—most recently pulling out of a takeover bid for the UK engineering group Powell Duffryn.

Moreover, Hanson works hard to make his companies perform after acquisition—cutting back overheads and staff, and motivating management.

The group has not been free of accusations of asset-stripping, most recently following the acquisition of UDS, which was followed by the sale of a string of UDS subsidiaries, including Richard Shops and John Collier Menswear. By their nature, profits on such deals are one-off contributions to growth.

Nevertheless, shareholders have had little cause to complain. Despite the fact that Hanson's acquisitions have been well marked with share issues, earnings per share have grown strongly—by 40 per cent compound since the group's last rights issue, which raised £42.7m in 1981.

Although Hanson Trust shares fell 11p to 211p yesterday, the City expects the company to retain its premium rating.

Shareholders are being offered one new share at 185p for every six held, and one £1 5¼% cumulative convertible preference share for every nine ordinary shares held.

Holders of the company's 8 per cent unsecured loan stock are offered one convertible preference share for every £11.70 of nominal stock.

To make payment easier in what is the biggest call on shareholders' funds ever by a UK company wholly in the private sector, both the ordinary and preference shares are offered partly-paid. There is a down payment on the ordinary by July 4 with the balance due on September 27. The 50p down payment on the preference stock is due on July 4 with the rest due on August 30.

The group plans a 2.7p final dividend for the year to the end of September, making 4.2p (3.33p). The first dividend on the preference shares will be 3.836p.

Dealings in the new ordinary will start on June 12, and in the preference shares on July 9. The issue has been underwritten by merchant bank N. M. Rothschild.

Harris nearing 5% in Debenhams

Harris Queensway, the stores group headed by Mr Phil Harris, confirmed yesterday that it has built up a stake of "under 5 per cent" in Debenhams, which is facing a £475m takeover bid from Burton Group and Habitat Mothercare.

Harris last year acquired a controlling stake in Debenhams furniture, electrical and carpets operations and is therefore keen to have a say in the fate of the group. Similar motives lie behind the 5.1 per cent stake in Debenhams built up recently by rival stores group House of Fraser.

Harris said yesterday that it had held talks with Burton, but denied there had been detailed discussions on the possible flotation of Welbeck Finance.

Winter months contribute to Caffyns' downturn

FOLLOWING disappointing figures for December, January and February, pre-tax profits at Caffyns, the Eastbourne-based motor vehicle dealer, fell from £614,000 to £525,000 in the year to March 31 1985. The final dividend is again held at 2.3p net for an unchanged total of 4.5p.

The recovery seen last year continued into the opening half of the year under review, with pre-tax profits pushing ahead from £474,000 to £554,000.

The directors point out that trading conditions improved strongly in March, and these enabled the company to achieve a record monthly turnover of £11.36m. Turnover for the full year was up from £90.1m to £93.2m.

Operating profits were down from £1.82m to £1.76m as cost of sales rose from £79.23m to £81.32m. Other operating costs were higher at £10.52m (£9.46m), but these included a surplus on branch rationalisation of £419,000 against £405,000.

The pre-tax profit was after interest charges slightly higher at £1.23m against £1.2m. Tax was unchanged at £101,000. Stated earnings per share fell from 13.02p to 10.28p—there was an extraordinary credit last time of £76,000.

During the year, say the directors, two properties were sold, realising a surplus of £419,000. Following a revaluation of the freehold property on an existing use basis, £3.9m has been transferred to the revaluation reserve.

Burmah Oil disposal

Burmah Oil has sold its German caravan manufacturing subsidiary, Tabbert Caravan, for Dm 15m. The sale is in line with Burmah's strategy of continuing to restructure the group and to concentrate resources on its core activities of oil exploration, Castrol, speciality chemicals and liquefied natural gas transportation.

Vanderhoff placing

Vanderhoff, a Nuneaton-based manufacturer of telecommunications equipment and electronic components has raised £1.35m by a share placing which the company sees as the first step towards a stock market quotation. The placing, by brokers James Capel, represents 13.2 per cent of the company's enlarged share capital. £1.1m is new capital.

LADBROKE INDEX
990-994 (−5)
Based on FT Index
Tel: 01-427 4411

Nurdin and Peacock expects another record

A BUOYANT start to the present year was reported by the chairman of Nurdin and Peacock, Mr Michael Peacock. He told the annual meeting that sales were 26 per cent higher than for the same period last year and he would be disappointed if profits for the full period could not be improved for the 22nd successive year.

The main factor in the improvement was the success of the company's own-label Red Band cigarettes, launched last year.

He added that sales in all departments of the cash and carry wholesaler were up on the corresponding period of last year.

He warned shareholders, however, that "we must keep our feet on the ground regarding profits in 1985 and sales in the second half of the year. Profitability on cigarettes is very small and from mid-July sales comparisons will be drawn with the Red Band launch period last year."

Mr Peacock added that the company was involved in other ways of increasing turnover. In 1985 Nurdin and Peacock is celebrating two jubilees, 175 years of trading and 25 years in cash and carry. Promotions were being held on many of the items it sells and these had had a real impact on sales.

The branch development programme was continuing. The most recent opening was in Gloucester in April and it had made a good start. In the immediate future there were plans for opening a 80,000 sq ft replacement branch in Colchester and a doubling of the size of the Watford branch to 70,000 sq ft.

A 92,000 sq ft branch was due to open in Wolverhampton early next year.

Mr Peacock said that other sites were at an advanced stage of negotiation but it was too early to give details.

Hardanger Properties advances to £420,000

PROGRESS HAS continued at USM-quoted Hardanger Properties in the six months to March 31 1985. Pre-tax profits advanced from £305,000 to £420,000 and the directors are confident that the full year should see a further significant increase over the previous year's £2.03m.

Stated mid-year earnings per 10p share were ahead from 2.88p to 3.62p and the net interim dividend is maintained at 2.8p—last year's total payment was 9.8p.

Turnover for the six months showed a marked reduction from £1.55m to £873,000. Tax took £189,000 (£152,000) giving a net balance up from £153,000 to £231,00. The interim dividend absorbs £179,000 (£148,000) leaving £52,000 (£5,000) retained.

Since the anual report, the company has acquired Eyre & Sons and the directors say this acquisition has been absorbed smoothly. Surplus leasehold properties have been disposed of without cost and the freehold properties have been retained as long-term investments.

Harold Perry seeking to broaden activities base

BECAUSE the outlook remained uncertain, it was all the more important that Ford main dealer Harold Perry Motors should seek to broaden its activities base so as to produce profits less dependent on one industry, Mr Forbes Macgregor, the chairman, told the annual meeting.

Mr Macgregor said he was unable to report any recent change in the competitive conditions being experienced in the new car market. The group's business is in the sale, repair, service, hire, leasing and financing of new and used motor vehicles and industrial equipment and the supply of replacement parts and petrol.

In order to more accurately reflect the new management philosophy, it is proposed to change the name of the company to Perry Group.

Members were told that the group's first move into the field of estate agency was about to take place. The acquisition was a modest one, but it had enabled Perry to set up the management team that would be responsible for developing this new division.

Mr Macgregor said it would be premature to comment on the likely progress of this new activity, but added that the steps taken by the board towards the end of 1984 to improve the group's cash position, would ensure that the necessary finance was available when needed.

While the uncertain outlook for the retail motor industry precluded any positive prediction of full-year profits, the chairman was confident that the group's management team would exploit every opportunity. He was optimistic about the prospects.

In 1984, pre-tax profits improved from £3.4m to £3.51m, on turnover of £132.88m (£122.5m).

Lep Group

LEP Group, the international freight forwarder, said yesterday that its 40 per cent owned U.S. associate, National Guardian Corporation, is to be floated on the American Over-the-Counter market. LEP paid just under $12m last year for its stake in NGC, a central station security alarm business. It said yesterday that it was reasonable to assume that the price of the new shares offered in the flotation would be "considerably higher" than that at which LEP acquired its interest. The issue will reduce LEP's stake in the enlarged equity to around 30 per cent.

UK COMPANY NEWS

Electronic Rentals up 35% with market share steady

A CONSIDERABLE advance was seen by **Electronic Rentals**, the Visionhire group, in the year to the end of March 1985. On turnover up by only 2.5 per cent, from £192.49m to £197.2m, pre-tax profits soared by more than 35 per cent at £15.17m, compared with £11.21m.

The chairman, Mr J. T. Griffiths says that there was continued pressure on rental rates during the year, particularly on video recordings. The company, however, was able to increase its number of video subscribers and increase market share, and it maintained its share of a declining colour television market.

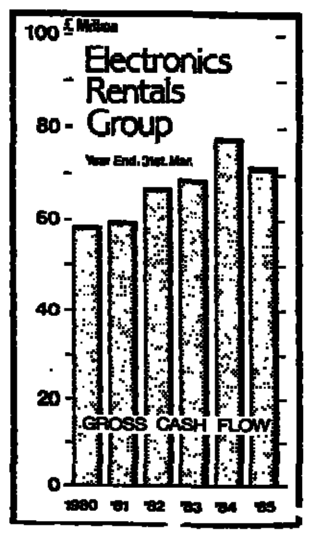
As already announced Electronics Rentals will not be continuing with its moves into the provision of cable services. It will not apply for further franchises or provide new non-broadcast services on its existing networks.

Mr Griffith's says: "We believe that cabling of the UK will be a much longer process than seemed likely a year ago, and the prospects of Visionhire Cable generating meaningful profits from this area on a normal commercial timescale are too remote to justify our continued involvement."

The Carousel rental business, bought from Currys, following its takeover by Dixon, is being integrated with the existing business. It is expected that this will increase the revenue through branches of Visionhire, reducing the branch unit costs and increasing profits.

"In the current year the company expects to benefit from the Carousel acquisition and improved earnings from overseas to feature strongly," says the chairman.

Operating profits were ahead by more than 45 per cent, at £16.23m, but a loss on currency loans, incurred on U.S. dollar borrowings used to finance a South African investment, reduced that figure by £1.15m.



In the UK, which accounts for the major part of the group's activities, there was an increase in profits from most sections except for Business Systems, which showed a loss. Overseas rentals, which accounts for 20 per cent of turnover, saw a substantial increase in profits.

The taxable profit was struck after allowing for interest of £9.98m (£8.64m) and exceptional items of £841,000 compared with the previous year's £1.06m. Those items included £500,000 of cable rationalisation costs, incurred by Visionhire UK, a realised exchange loss on repayment by the South African subsidiary of U.S. dollar loans of £600,000 and £200,000 reorganisation costs of the Business Systems activities, less £500,000 profits on sale and leaseback of UK properties and disposal of the Singapore rental business.

Tax of £5.88m, against £4.7m for 1983-84, when there was a payment from minorities of £21,000, and extraordinary debits of £1.42m (£7.13m), left attributable profits at £7.87m, against a loss for the previous year of £640,000.

The extraordinary items were provisions for the rationalisation of the cable network.

A final dividend of 2.07p net per share is proposed, for an unchanged total of 3.23p. The cost is not fully covered by attributable profits and £469,000 has had to be transferred from reserves. The chairman, Mr J. T. Griffiths, says that this reflects the confidence of the board in the group's longer-term prospects.

● comment

The City is pre-disposed to think the worse of Electronic Rentals, and so a 35 per cent increase in pre-tax profits did nothing for the share price which fell 3p to 48p. Although the company is holding its end up in the declining UK rental market and seems to be doing well overseas, had it not been for a £2m reduction in the depreciation charge, and the absence of £2.2m losses made in 1983 in the now discontinued cable operation, the company would have showed no increase in profits at all. Business Systems' £1m loss was worse than many had been expecting, and despite protestations that a complete management change will ensure a decent return by the end of the current year, the City has yet to be convinced. The main excitement in the current year will come from the inclusion of Carousel. Integration is apparently going swimmingly and it could add about £4m to trading profits (£2m after interest), contributing to a total of about £18m for the group. That would imply a p/e of about 10 after 35 per cent tax, which seems high given grim long term prospects for the rental industry. However, the shares are firmly underpinned by a yield of 9.6 per cent.

Carr's Milling jumps to £810,000

Carr's Milling Industries lifted pre-tax profits from £443,000 to £810,00 in the half year to March 2, 1985, on external sales of £27.39m against £25.6m.

Mr Ian Carr, the chairman, says sales were buoyant and all major sectors of the group's business were profitable in the first six months. Lower operating costs and reduced wheat prices contributed to better results from the bakery and flour milling divisions.

Animal feedingstuffs performed well and the company's agricultural merchants continued to improve their profitability.

The chairman anticipates that due to the seasonal nature of some of the group's businesses, the trading pattern will be similar to the years prior to 1984 (an exceptional year) in that second-half profits will be less than those achieved in the first six months.

The net interim dividend is maintained at 1.75p on capital increased by the December, 1984 rights issue—last year a total of 5.5p was paid on pre-tax profits of £853,000.

Tax charge for the half year was £47,000 (£37,000)

G. T. Global

Net assets per £1 share of **G. T. Global Recovery Investment Trust** increased to 146.9p as at March 31, 1985, against 116.5p a year earlier.

Pre-tax profits for the 12 months expanded from £369,000 to £407,000. Tax took £140,000 (£160,000) and stated earnings per £1 share were higher at 2.66p (2.08p). The dividend is maintained at 2p net with a same-again final of 1.25p.

Total income dropped from £946,000 to £728,000, including investment income of £622,000 (£790,000). Pre-tax results were struck after management expenses of £249,000 (£223,000) and reduced interest of £72,000 (£354,000).

Hazlewood profits surge to £6m

Hazlewood Foods, the fast-expanding food manufacturing group, virtually doubled pre-tax profits to £6.09m in the year to March 31, 1985, against £3.07m previously, on turnover up from £35.2m to £68.1m.

The group also announced the acquisition of 80 per cent of Food Enterprises, a Warrington-based maker of fresh pasta and other convenience meals. Mr J. Lowe, the chairman, says this company will further extend Hazlewood's chilled product range and adds to its presence in this growth sector.

Hazlewood will pay an initial £355,000 satisfied by £172,500 in cash and the allotment of 16,796 fully paid ordinary 20p shares. The group may also pay an additional consideration on the basis of the sum by which 80 per cent of five times pre-tax profits of Enterprises for the year to September 30, 1985 exceeds £355,000.

Hazlewood has an option to purchase the remaining 20 per cent of Enterprises' capital at any time up to March 31, 1990 for a sum of £1m. Subject to certain profit provisions, Enterprises has the right to require Hazlewood to exercise its option.

Earnings per 20p share are up by 46 per cent from a stated 38.9p to 56.7p—this represents a compound growth rate of 33 per cent per annum over the past five years. The final dividend is increased to 8p (6.75p) for a net total 2p higher at 13.5p per share.

On future prospects, Mr Lowe says that while it is too early to forecast the outcome of the year ahead, he is confident of satisfactory progress.

Gross profits for the year 1984-85 increased from £10.06m to £17.37m. After distribution costs of £5.54m (£3.47m) and administration expenses of £4.06m (£2.7m), trading surplus was well ahead at £7.78m compared with £3.88m. The result included losses of £0.43m incurred in the closure of the group's bottling facility in Manchester.

Interest charges jumped from £0.82m to £1.69m. Tax took £1.09m (£0.31m), including overseas tax of £0.14m (nil), and after a £0.17m extraordinary charge this time for closure costs, net available profits came through up £1.53m at £4.29m. Dividends absorb £1.28m (£0.72m).

Referring to acquisitions, the chairman says the group's stated policy has been to develop its existing companies while continuing to acquire new companies which extend its product and manufacturing base.

One of the major growth areas over the next 10 years will be in fresh and chilled food, he says. The acquisition this year of Crispa Produce, Gerald H. Polderman Beheer BV, Knights European Food Group and, in May 1985 Aimcalm, will give the group a significant platform for future expansion in this sector.

Another growth area is the premium section of the large established markets, and the acquisition of Beaverlac (Fine Foods) has given the group an attractive and rewarding base to develop that sector, Mr Lawe states.

F. H. Lee provides the group with an important presence in the non-food grocery sector further extending product range to existing customers.

All acquisitions have been successfully integrated into the group and are trading profitably.

The group's base business has traded well, improving both turnover and profits. The ongoing extension of existing product range provided profitable growth in this base business.

Investment in plants to improve efficiencies and quality standards continues in line with the group's stated policy. Expenditure this year was £5.6m on capital items. The board looks forward to seeing the return from these investments providing the continued profit impetus in future years.

● comment

Underneath the heady growth at Hazlewood, bolstered by a stream of acquisitions, the original business increased profits by almost a quarter last year on a sales gain of just 10 per cent, split roughly half and half between volume and price rises. So while acquisitions tend to dominate the news — and more than £20m was spent last year—the core operations are continuing to perform well and are not being neglected. Other than acquisitional spending Hazlewood invested £5.6m on new capital equipment last year, helping to push borrowings up to around £20m for balance sheet gearing of almost one for one. Not surprisingly equity is a favourite medium for buying companies and why not when the price has risen to £11? Thanks to new shares and a steadily climbing market price the capitalisation has tripled from the £35m of March '84. Without more deals, £8m pre-tax seems a fair expectation for this year where the prospective p/e is 18. The City has a fairly glamorous perception of the stock though to maintain the momentum the deals will have to get bigger — and presumably that much harder to find.

U.S. oil and gas boost Southwest Resources

FOLLOWING another year of growth **Southwest Resources**, the oil, gas and mineral exploration group, is proposing to return to the dividend list with a final payment of 0.7p net per share, the first to be paid by the company in its present form. That is in line with the forecast made at the time of its £7.6m rights issue in January.

Turnover for the year to the end-March 1985 increased by almost 2½ times and taxable profits were almost double the figure for the previous year.

The chairman, Mr Max Lewinsohn, says that there was significant progress in three areas during the year, the U.S., the Far East and the North Sea.

States Petroleum in the U.S. saw the benefits of previous investment in both exploration and production. Average net monthly oil production rose by 35 per cent to 7,200 barrels and gas output was 78 per cent higher at 84m cu ft, the increases more than offsetting falling prices.

Proven reserves stood at 586,000 barrels of oil and 8.6bn cu ft of gas at the year end.

The group's petroleum concession in North Thailand were merged with Arinfi Pacific (Holdings), an established oil services group, listed on the Hong Kong exchange, in which Southwest has an interest of 26 per cent.

In the North Sea there have been positive results in a block in which the company has a 7 per cent stake. Gas has been discovered with encouraging flow rates and a multi-target well is to be drilled at a third location in the block in the summer.

Turnover for the year rose from £3.63m to £9.01m, giving profit before tax of £3.16m, compared with £1.65m for 1983-84. With taxation at £401,000 (nil), net attributable profit was £2.76m (£1.65m).

The dividend took £365,000 (nil) leaving earnings per 40p share at 7.39p against a 1983-84 figure, adjusted for the right issue, of 5.55p.

Mr Lewinsohn says that profits have now risen at an average of 63 per cent a year since 1980 and that the prospects for the company remain excellent.

Williams Holdings

Following the acceptance of its bid for J. and H. B. Jackson, *Williams Holdings was intending* to expand into areas where it had expertise, the chairman Mr A. N. R. Rudd, said at the annual meeting.

Property Holding raises earnings over £3m mark

Property Holding & Investment Trust, property investment and development group, raised pre-tax profits by 12 per cent from £5.16m to £5.77m for the year ended March 31, 1985.

After reduced tax of £2.43m (£2.52m) profits were up 26 per cent from £2.64m to a record £3.34m. Stated earnings per 25p share climbed from 3.41p to 4.26p and the final dividend is in effect higher at 1.61p for a net total up from an adjusted 2.25p to 2.5p.

Rents receivable increased from £6.83m to £7.98m. Net income from properties was some £1m higher at £7.13m and was derived in almost equal proportions from acquisitions, completed developments and rent reviews.

Other income however, fell from £1m to £0.59m as a result of expenditure on acquisitions and developments. Administrative expenses took £0.6m (£0.54m) and interest payable accounted for £1.36m (£1.43m). After tax and dividends, retained revenue emerged at £1.36m, against £0.88m.

Net assets per share increased from 152p to 160p before conversion of loan stock or from 140p to 147p fully diluted.

An open market valuation of the group's properties at the year end produced an increase of 4 per cent — in line with market trends in the period.

Lazard's £2.5m call for BES

By William Dawkins

Lazard Brothers, the merchant bank, is asking investors for up to £2.5m for its fourth Business Expansion Scheme fund.

The bank is offering subscribers the right to invest up to three times their subscription in another fund due to come out later this year and close next January.

This is designed to cater for investors who do not yet know how much money they wish to invest in the BES in the current tax year.

The BES allows shareholders in unquoted companies to claim tax relief on thier investments. Many investors like to hold on until the end of the tax year, before subscribing, when they have a cleaner idea of what their tax position is likely to be. This has created a problem for BES funds, which have to be fully invested by the end of the tax year to claim full tax relief.

Investors in earlier Lazard BES funds wil be charged a reduced initial management fee of five per cent, as will investors in the current fund intending to subscribe for the end-of-year offering. Other investors will be charged seven per cent.

The fund plans to invest in established companies in a range of industries, and will be open for subscription until July 31.

DIVIDENDS ANNOUNCED

	Current payment	of payment	sponding div.	for year	last year
Amersham	3.8	Aug 12	3.1	6	5
N. Brown	6	Aug 6	5	9	7.5
Caffyns	2.3	—	2.3	4.5	4.5
Carr's Milling ......†int.	1.75	July 12	1.75	—	5.5
Electronic Rentals	2.07	—	2.07	3.23	3.23
F & C Alliance	1.15	—	1.1	1.7	1.6
Hardanger Props. ‡int.	2.8	July 8	2.8	—	9.8
Hazlewood Foods	8†	Oct 7	6.72	13.5	11.5
Property Holding	1.61	—	1.44*	2.5	2.25*
Property & Rev.	2.85	July 20	2.7	4.1	3.7
Southwest Resources	0.7‡	—	Nil	0.7	Nil

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Improved margins boost N. Brown

A GOOD response to all catalogues and brochures enabled **N. Brown Investments**, the Manchester-based direct mail order group, to lift its profits before tax by 26 per cent during 1984-85.

Furthermore, business for the first three months of the current year has shown an improvement of over 20 per cent.

Turnover for the 52 weeks to March 2 1985 rose from £37.23m to £42.7m, excluding VAT. Pre-tax margins increased by virtually 1 per cent to 10.7 per cent and profits at this level pushed ahead from £3.62m to a record £4.57m—comparisons were for 53 weeks.

Sales from the group's more up-market Heather Valley catalogue were particularly encouraging.

Earnings grew from a stated 16.2p to 20.69p and a final dividend of 6p (5p) lifts the total by 1.5p to 9p net per 20p share.

Mr David Alliance, the chairman, tells shareholders that the recent acquisition of Country Garden and Country Kitchen, which sells a wide range of garden and kitchen accessories through direct mail catalogues, represents an important extension to the group's mail order range.

Mr Alan Dean, appointed chief executive early this year, says the directors are satisfied that they can develop a range of products and financial services, including personal loans, which will be attractive to both existing and new customers.

Over the past 18 months the group has been marketing personal loans to a number of customers and the results have been "encouraging."

He adds that continued investment in computing will improve customer service and enable the directors to make maximum use of the extensive data base for marketing purposes.

Pre-tax profits include income from listed investments amounting to £94,000, against £78,000—the comparative figures were after exceptional provisions of £178,000.

Tax accounted for £1.98m (£1.58m) to leave net profits £561,000 up at £2.59m. There were extraordinary charges of £41,000 (£142,000).

The directors say they are committed to expanding the group, both by organic growth and by acquisition.

DRI first quarter profits advance

DRI Holdings, an independent designer and manufacturer of computer peripherals, has announced pre-tax operating profits of £1.8m for the three months ended March 31 1985, representing an increase of 151 per cent on the same period last year. Sales were up 12 per cent to £21.8m.

Group managing director Mr John Armstrong said that while they were not as good as he would have liked to have seen, when judged against the performance of other companies in the industry, he believes they are satisfactory.

During the first quarter, DRI disposed of its remaining holding in Decision Data Computer Corporation, providing proceeds of nearly £5m. Bank borrowings have been reduced despite repaying the National Enterprise Board the final £2m due under the terms of the privatisation of the group. DRI's profit on the sale, dealt with as an extraordinary item, was approximately £4.3m.

Palma Group

At the annual meeting of **Palma Group**, manufacturer and distributor of knitted products, Mr Peter Bailey, the chairman, told shareholders that trading results for the second half of 1985 would be better than for the first half, which were unlikely to be good. He said that the results for 1986 would be good, and perhaps very good.

In the absence of unforeseen circumstances the directors intended to recommend a same again 0.75p interim dividend for the current year.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	*Hongkong & Shanghai*	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp.Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	†12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9¼%, 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9¼% gross.
‖ 21-day deposits over £1,000 10¼%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

Property & Reversionary advances 42% to £2.56m

ON THE back of a 23.6 per cent rise in net rental income **Property & Reversionary Investments** increased its profits before tax from £1.8m to £2.56m over the year to March 31 1985, an increase of 42 per cent.

For the opening six months, to end-September 1984, profits showed an improvement from £890,000 to £1.08m. In his interim report Mr A. Rubens, the chairman, told shareholders that the increase reflected recent rent reviews and new lettings which would produce a further advance in the second half.

For the full year net rental income pushed ahead from £2.65m to £3.28m—the group is principally engaged in property investment and development.

Earnings per share improved by 1.3p to 8p and a final dividend of 2.85p (2.7p) raises the net total from 3.7p to 4.1p.

Tax accounted for £390,000 (£144,000) to leave net profits of £2.17m, compared with £1.65m.

Minority interests took £1,000 (added £177,000) and extraordinary credits rose from £132,000 to £420,000. The profit after such credits amounted to £2.59m (£1.96m).

A valuation of the group's properties shows an increase of 3.65 per cent (5.3 per cent) as compared with 1984 excluding the two properties sold during the year.

However, the Frimley properties remaining in the ownership of Albany Commercial and Industrial Developments continue to be held as trading stock.

Asset value per share increased from 259p to 272p (5.02 per cent). The percentage loss of the rent roll due to voids was reduced during the year from 13.4 per cent to 7.5 per cent. Letting negotiations are in various stages in respect of certain of the remaining empty office space.

The directors say that although at present development activity is low-a programme of refurbishment and modernisation of group properties, as and when they become vacant, is continuously in hand.

They add that the group's borrowing rate remains low, and at 5.7 per cent is one of the lowest in the property sector."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Guinness, London and Clydesdale, Microgen, Plaxtons (G.B.).
Finals: Aitken Hume International, Argyll Group, Charterhouse J. Rothschild Pacific Investment Trust, Deelkraal Gold Mining, Doornfontein Gold Mining, Driefontein Consolidated, East Midland Allied Press, Geevor Tin Mines, Globe Investment Trust, Kloof Gold Mining, Libanon Gold Mining, Thomas Locker, Metal Box, Osborne and Little, Parkdale, Premier Consolidated Oilfields, Regalian Properties, Sims Catering Butchers, Standard Fireworks, Venterspost Gold Mining, Vlakfontein Gold Mining.

FUTURE DATES

Interims—	
Allied Textile	July 24
Grainger Trust	June 21
Kenning Motor	June 19
Kennings Estates	June 20
London Scottish Finance	June 17
Lookers	June 19
Finals—	
Bulmer (H. P.)	July 10
Burndene Investments	June 14
C.H. Industrials	June 19
Davis (Godfrey)	June 19
Forshaws Burtonwood	June 13
Scapa	June 20

MINING NEWS

Agnico-Eagle stockpiles gold and silver awaiting price rises

FURTHER GROWTH, this year and in 1986, is forecast by Canada's gold and silver-producing Agnico-Eagle Mines by the president, Mr Paul Penna. With the expansion of the Telbel mine in the Joutel area of Quebec, the group's gold output is expected to rise by a further 20 per cent this year to 75,000 oz, despite a 17 per cent fall in the first quarter, and to 90,000 oz in 1986.

Silver output doubled last year to a record 1.6m oz, but for the immediate future is expected to run at an annual rate of between 1m oz and 1.5m oz. Agnico-Eagle has stockpiled 600,000 oz silver and 6,000 oz gold in anticipation of higher prices. It does not make forward sales.

Despite lower metal prices, increased production lifted bullion revenue for 1984 by 21 per cent to C$43.2m (£25m), the major factor being the sharp increase in revenue from silver.

Operating costs, per ounce of silver produced were C$5.06, against an average price of C$9.51. Those for gold were C$72.91, against a price of C$465.73.

Net income for the year was C$6.2m, 45 cents per share, compared with C$5.53m in 1983, when production was affected by mechanical problems at the treatment plant. The dividend was raised to U.S. 15 cents from 12 cents.

For the first quarter of this year, however, net income has fallen to C$900,000, or 7 cents per share, from C$3.7m a year ago. The major factors in the decline have been a 17 per cent fall in gold output — reflecting a lower grade of ore treated, and an 11 per cent decline in the bullion price.

Beatrix makes a good start

SOUTH AFRICA'S newest gold mine is likely to declare a maiden dividend this December, well in advance of previous forecasts. The Beatrix division of the Gencor group's Buffelsfontein mine came into production in December 1983, and since that time the operation has exceeded planned gold output by 8 per cent.

The designed milling capacity of 170,000 tonnes of ore a month was achieved in May, Gencor said, and the mine has already been awarded its Millionaire Shield for recording 1m fatality-free shifts.

Total capital spending to date on the mine has reached R408m (£163m), with only a further R4m required to complete the programme. This is 12 per cent below the budgeted cost of R467m.

Beatrix has clearly performed better than the group expected, and has been further helped by the recent strength of the gold price in local currency terms consequent on the weakness of the rand against the U.S. dollar.

The good showing from this young mine will be welcome news to the operating company Buffelsfontein, which is entitled to 16 per cent of the division's distributable income.

There is a further piece of good news for Buffels in the form of an announcement from the Chemwes operation, which produces uranium from the waste material of the Buffels and Stilfontein mines, to the effect that it has now reached agreement over prices with its main customer.

Chemwes, owned as to 20 per cent by Buffels and 80 per cent by Stilfontein, said that prices for this year have been reduced to bring them into line with those in the long-term contract market.

However, the financial impact on the company will be softened by the fact that Chemwes has secured additional sales, so that overall earnings are likely to be maintained.

Further, Chemwes is expecting a net extra ordinary credit of some R12m in the current quarter, as the company no longer requires the provision it had made against a possible liability to refund a portion of the price received from previous sales.

Exco sees comfortable increase in first half

RESULTS of **Exco International** for the first half of the current year should comfortably exceed those for the same period of 1984, Mr John Sangster, the chairman, told the annual meeting. The group's major sources of profit continued to be Telerate and money broking.

In 1984, Exco hoisted pre-tax profits from £32.46m to £50.67m, on turnover of £210.66m (£84.06m). For the half year to June 30, 1984 the company made £33.13m, on £78.3m turnover.

The company continued to retain significant cash balances. This liquidity and the unutilised borrowing capacity available to the group, meant it was well poised to take advantage of any new opportunities, without recourse to shareholders.

Mr John Gunn, the chief executive, said the group was still looking for new acquisitons in the UK and U.S. and, given the current moves on deregulation, there was plenty to choose from. He named no specific acquisition targets.

Asked about reports of a poor performance by Exco's Gartmore Investment Management subsidiary, Mr Gunn said the problem was not a big one and that Gartmore's record was quite good.

Further growth on way for Cluff Oil

At the annual meeting of **Cluff Oil**, the chairman Mr Algy Cluff, said he expected 1985 to maintain another improvement with sharply increasing income from the U.S. and Zimbabwe.

His principle concern was the reduction of overheads, and a detailed investigation into that was under way.

Gold mining was producing "particularly gratifying" results with gross cash flow of some £2m annually and a life of around seven years.

In China the company had established a trading operation which had secured various exclusive arrangements with two major ports.

In Ohio, two wells drilled recently in which Cluff had a 45 per cent interest, had produced gas at a rate which will provide a 54 per cent return on investment. A further two wells in which the company had a 90 per cent interest had also just been successfully drilled.

These two latest wells, the chairman expected, would contribute an additional $25,000 per month when they come on stream in about 30 days' time.

Duncan Lawrie

Duncan Lawrie, the licensed deposit taker and licensed dealer for securities, has increased its issued share capital from £5m to £8m, to allow it to expand its private banking and financial management services.

COMPANY NEWS IN BRIEF

Dorset Resources has entered an agreement to acquire **Brinco**, held by **Tinto Holdings Canada** and **Olympia & York Holdings Corporation**, in return for ordinary and preference shares in Dorset Resources.

Tinto Holdings Canada, a wholly-owned subsidiary of Rio Tinto-Zinc Corporation, will acquire 6 per cent of the issued ordinary shares of Dorset Resources.

Aggregate value of the consideration is less than 1 per cent of the net assets of The Rio Tinto-Zinc Corporation.

* * *

At the annual meeting of **I. J. Dewhirst Holdings**, the clothing manufacturer whose principal customer is Marks & Spencer, shareholders were painted a picture of growth and encouraging prospects.

Chairman Mr Alistair Dewhirst reported progress in the first half to July 19, with sales expected to show an increase from £19.45m to over £24m, and profit before tax moving ahead from £1.83m to £2.2m.

Prospects for the full year at this stage looked encouraging, he said, and indications were that the progress achieved would continue in the second half.

* * *

I. & J. Hyman, polyurethane foam converter and manufacturer, has acquired Zenith (Converters), Long Eaton, for £100,000, to be satisfied £57,000 in cash and £43,000 by the issue of 143,333 ordinary stock units.

These new shares will not rank for the 1984 dividend and will carry a restriction on their sale for a period of two years without prior approval of the Hyman board.

The consideration is based in net assets of £88,000 at July 31, 1985 and is subject to a £10,000 variable formula. Zenith's pre-tax profits for the current year to end July, 1985 are expected to be around £46,000.

* * *

At the annual meeting of **F. J. C. Lilley**, civil engineer and building contractor, shareholders were told that the group was on target. In particular, the equipment required for completion of the company's Nigerian contract had been shipped and this project was likely to be completed around the end of the current financial year.

Trading results in the U.S. for the first quarter were up to the directors' expectations, and the property occupied by Harold Dessau in New York had been sold.

The board believed that the group's future could be looked upon with confidence.

* * *

Mr R. A. Parsons, chairman of **Bowthorpe Holdings**, told the AGM that trading results for the first four months supported his view that 1985 would be a record year for both sales and pre-tax profits.

He said he expected the major part of the year's growth to come from overseas subsidiaries where results so far were slightly above target. In the UK the group was below target as a result of pressure on margins. The chairman pointed out, however, that orders and sales were continuing to move steadily ahead.

* * *

Alfred McAlpine, the construction and property group, has reached agreement in principle to acquire the whole issued share capital of **A. Tulloch & Sons (Holdings)** for an undisclosed sum.

* * *

Huntleigh Technology has acquired at a cost of DM 12,500 (£3,200), 50 per cent of a new company, **Hydrovan of Medizintechnik**.

The company has been formed to acquire the assets of a major distributor company's medical specialised products in West Germany from Firma Schwarz. The newly formed company will continue the business formerly carried out by the medical distribution business of the Sanol Schwarz division.

The consideration of DM 1.6m (£400,000) for the acquisition of the assets, which have a book value of DM 5m (£1.25m) is being financed by a loan which, for the present is being guaranteed by Huntleigh.

The balance of 50 per cent of Hydrovan is held by the former management of this business who have an option to acquire a further 10 per cent subject to loan arrangements from the local management being completed. Upon exercise of this option, the management will assume responsibility for DM 600,000 (£150,000) of the present guarantee.

* * *

The offer for sale of 18.93m shares in **IBL**, the computer leasing group, attracted 4,916 applications for 67.2m shares.

Applications from employees have been accepted in full and other applicaations will receive shares as follows: Applications for 200 shares—allotted in full, applications for between 400 and 800 receive 50 per cent, applications for 1,000 shares receive 400 shares, applications between 1,500 and 30,000 shares receive 30 per cent of the amount applied for and applications for 35,000 shares and above will receive 27.7 per cent subject to a maximum of 1m.

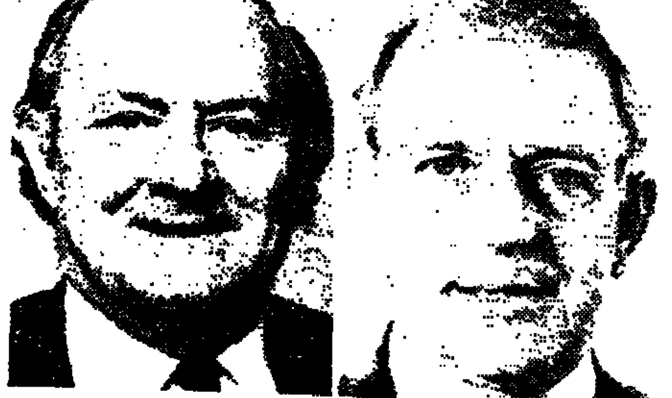
* * *

Net asset value per 25p share at **F & C Alliance Investment** was up from 107.2p to 112.3p prior charges at nominal value in the year to April 30 1985. The figure, prior charges at market value was 113.2p against 108p. Stated earnings per share improved marginally from 1.7p to 1.76p.

The final dividend is raised from 1.1p net to 1.15p for a total up from 1.6p to 1.7p.

Franked income for the year was down from £856,635 to £789,331, and total revenue was £2m, compared with £2.2m. Tax took £439,712 against £415,681, leaving attributable revenue up from £785,329 to £808,584.

APPOINTMENTS



Earl Jellicoe Dr Graham Roper

Top Davy posts announced

Lord Jellicoe has been appointed to the Board of DAVY CORPORATION and elected deputy chairman from July 1. He will succeed the present chairman, **Mr Peter Benson**, when he retires at the annual meeting on October 2.

Dr Graham Raper *has been* appointed chief executive of Davy Corporation from July 1.

Lord Jellicoe is at present chairman of the British Overseas Trade Board and of the Medical Research Council and a director of S. G. Warburg, Sotheby Holdings, Tate and Lyle, Smiths Industries and Morgan Crucible. Dr Raper joined Davy in 1960 and is a deputy chairman of Davy Corporation and managing *director of Davy McKee*, engineering and construction division of Davy.

★

Mr G. E. Hall and **Mr C. Michael Hughes** have resigned from the COUNCIL OF FOREIGN BONDHOLDERS. The London Chamber of Commerce and Industry has appointed **Mr G. C. Nichols** to the council to *replace Mr Hughes.*

★

Mr David Bailey and **Mr Simon Woodroffe** have been appointed directors of HAMBROS BANK.

★

Dr Robin Brooks, formerly with Glaxo, has joined VISMED as a director, with special responsibility for developing applications of information technology.

★

Mr W. T. White has been appointed to the board of HAWKER SIDDELEY DYNAMICS ENGINEERING as production director.

★

Mr Arthur Day, former director-general of the Institute of Export, chief executive of the World Trade Centre and Commonwealth Secretariat adviser to foreign governments on overseas trade has returned to the field of imports and exports. He has been appointed director of the UNITED KINGDOM TRADE AGENCY, which helps developing countries to promote exports. It currently operates as a department of the London Chamber of Commerce and Industry and is funded by the Overseas Development Administration of the Foreign Office.

★

Mr David Rix has been appointed manager of the London office of AMCA NETHERLANDS B.V.

★

Mr G. L. Williams has been appointed to the board of CHANDOS INSURANCE CO., a Bass subsidiary, as a non-executive director.

★

Mr R. B. M. Hurley has joined the AUTOMOBILE ASSOCIATION and on July 1 will become director, insurance. Mr Hurley was previously with the Sentry (UK) Insurance Co.

★

FORBES PUBLICATIONS has appointed **Miss Marie Jennings** to the board as development director. She was head of the information unit of the Unit Trust Association.

★

BANK OF SCOTLAND has appointed **Mr A. W. Mallinson** a member of the bank's London local board. He has been a partner of Slaughter & May, solicitors, since 1957.

★

Mr Bill Stead has been appointed managing director of COMPASS VENDING, a member of the Grand Metropolitan Group. He replaces **Mr Antony Ward Lewis** who has taken another appointment with Compass Services. Mr Stead has been marketing director of Grandmet International Services.

★

Mr Julian Bray has joined EXTEL PUBLIC RELATIONS financial division as an account director. For the past two years he was consultant/director with KH Publicity.

★

At ELDER'S FINANCE UK operations the following appointments have been made: **Mr David Warmington**, previously an area director with Balfour Williamson and Co., has been appointed as marketing director. **Mr Fred Gruneell**, formerly chief accountant with Royal Bank of Canada Trade Finance, has been appointed group financial comptroller. **Mr David Wilford**, previously with Morgan Grenfell, has been appointed credit administration director.

★

Mr John White has been appointed London senior regional partner for a five year term from October 1 at PEAT MARWICK.

★

Mr Peter Love has been appointed chairman and managing director of IMPACT INFORMATION PUBLIC RELATIONS, Shrewsbury. Mr Love, who is one of the agency's principals, has acquired the business from the parent company Impact Information, of which he will continue to be a director.

★

NEEDLER HEATH, Lloyd's insurance brokers, has appointed **Mr P. A. Greenwood** and **Mr T. W. Parkes** as directors: Mr P. A. Greenwood as executive director of Needler Heath (Overseas) and Needler Heath (Marine); and **Mr P. Lusher** as associate director of both companies. Following the formation of Needler Heath Kingsnorth (Aviation) **Mr G. K. Bradshaw** has been appointed chairman, **Mr A. C. Kingsnorth**, managing director and Mr T. W. Parkes a director. **Mr M. A. Guinane** has been appointed an associate director. **Mr P. Golding** has joined the group and been appointed an associate director of Needler Heath (Overseas).

★

Mr R. C. Copeman has resigned as chairman of McKechnie Widnes and as a director of McKechnie Britain, the operating subsidiaries based at Widnes and La Cornubia SA of McKECHNIE BROTHERS. He will remain a non-executive director of McKechnie Widnes. **Mr W. Jones** has been appointed managing director of McKechnie Chemicals, McKechnie Metal Powders and a director of McKechnie Widnes.

★

MERSEYSIDE DEVELOPMENT CORPORATION has appointed **Dr John Ritchie** as chief executive. He has been the corporation's director of development since its inception. He takes over in early August from **Mr Basil Bean**, who has been appointed director-general of the National House-Building Council. Dr Ritchie was responsible for preparing the plans to regenerate 865 acres of derelict waterfront and for directing the capital works including the International Garden Festival and the restoration of the Albert Dock warehouses and historic docks in Liverpool.

★

Following the recent acquisition by Park Place Investments of TRIDENT, Park Place directors **Mr David Heynes** and **Mr Simon Codrington** join the board of Trident as chairman and director respectively. **Mr John O'Sullivan**, joint managing director of Trident with **Mr Mike Bull**, has retired and Mr Bull becomes sole managing director.

★

Sun Alliance chairman

Following the retirement of **Lord Aldington**, chairman, and **Lord Aberconway**, deputy chairman, **Mr H. U. A. Lambert** has been elected chairman of the holding company, SUN ALLIANCE AND NORTHERN INSURANCE, and of its principal subsidiaries. **Sir Derrick Holden-Brown** becomes deputy chairman and the **Earl of Crawford and Balcarres** continues as vice chairman.

★

Mr David Vevers has been appointed to the new position of group public affairs manager for PRUDENTIAL CORPORATION. He joins from J. Rothschild Hildings (formerly Charterhouse J. Rothschild) for whom he was director of communications. Prior to that he was head of public relations for The Charterhouse Group. Mr Vevers takes up his new appointment on July 8.

★

Mr G. B. Deveson has retired *as group managing director of* THE SENIOR ENGINEERING GROUP. **Mr D. D. McFarlane**, previously group financial director, has been appointed group managing director.

★

Mr Alfred Rubens, who has been a director of PROPERTY & REVERSIONARY INVESTMENTS since 1927 and chairman since 1962, will retire as chairman following the annual meeting on July 9 and has agreed to become president. His nephew, **Mr Kenneth David Rubens**, who has been managing director since 1962, will take his place as chairman. **Mr Michael J. Brilling** and **Mr Walter James Preston** have joined the board. Mr Brilling is a partner in H.I. & G. Rubens and will become managing director. Mr Preston is a senior partner in Jones Lang Wootton.

★

Mr Duncan J. MacLeod, has been appointed deputy chairman of the SCOTTISH PROVIDENT INSTITUTION. He succeeds **Professor Ian G Stewart**, who has completed the normal period of office.

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THE MANAGEMENT PAGE: Small business

EDITED BY CHRISTOPHER LORENZ

Why creativity must be encouraged but contained

William Dawkins on a dichotomy at Applied Telematics

HOW IS it possible to grow while at the same time retaining all the advantages associated with being small?

That balance is a hard one to achieve for any company, but it is particularly difficult in a complex and fast-moving industry like telecommunications, where the competition is intense and technology is changing fast.

Applied Telematics Group, a 15-strong telecommunications consultancy and producer of computerised information systems, is a prime example of the problems of handling growth without losing direction.

This Tunbridge Wells-based venture illustrates how important it can be for a small high-technology concern to resist the temptation to stray too far from its main area of expertise—especially if it is competing against larger groups with much broader skills. It also demonstrates that it is possible to give creative staff enough independence to allow them to be fully productive, but not so much that they lead the company into wasteful dead-ends.

Ultimately, the greatest challenge facing Mike de Smith, Applied Telematics' 33-year-old chairman and one of its two founders, is how to finance and manage diversifications without losing control of the group's mainstream activities.

"One of my most important jobs as a manager is to stop things being done as well as to facilitate things being done," says de Smith.

Applied Telematics has grown steadily in the six years since de Smith and Richard Clark, a former British Telecom engineer, set up a consultancy in a basement behind Selfridges in London. During that time, it has seen its taxable profits climb to £100,000 on sales of £750,000 in the year to March, spun off a separate company producing private videotex systems (interactive viewdata systems, the best known public version of which is Prestel) and picked up an impressive list of blue-chip customers like British Telecom, Citibank Europe, Volvo Concessionnaires and the British Airports Authority.

In the process, it has snatched contracts from beneath the noses of larger and far more experienced players like Logica in consultancy and Baric Computing Services (ICL's computer bureau) and Rediffusion in videotex.

Roger Taylor

Mike de Smith: spins off good ideas into separate companies

Applied Telematics owes much of its growth to the contacts acquired by Clark in his early days at British Telecom and by de Smith during his research on electronic communications at London's University College.

But now the group stands at at an important crossroads in its fortunes. To maintain its growth and spread its risks, Applied Telematics needs to spin-off more products, but the videotex offshoot, Viewtex, is already absorbing so much cash —its 12 staff have £100,000-worth of electronic gadgetry sitting on their desks—that the group cannot afford to diversify.

"We are substantially underfinanced in the sense that we are missing an enormous amount of opportunity," says de Smith, who is currently looking for a finance director to help him raise money in the City. Applied Telematics has already developed several new products, including a powerful office automation system and a device for creating computer applications, but it lacks the cash to market them.

While diversification is important for Applied Telematics, de Smith has always been keenly aware that the only way he can hope to hold his own against more powerful players is to focus his company's skills very narrowly in one area; electronic message and information systems.

The diversifications, into Viewtext and Applied Telematics Services—a smaller offshoot specialising in setting up and testing electronic information equipment—have been kept self-contained.

"It's not possible for a group of our size to be really expert in more than one area of telecommunications. If a problem lies outside our scope, we believe we should not tackle it. On the other hand, if we conceive of a product that looks sufficiently strong, then we spin it out to a separate company," says de Smith.

Like many technical consultancies, Applied Telematics has sought to cultivate an atmosphere in which staff can give full rein to their creativity by organising them into informal, semi-independent groups of two or three.

The dangers of that approach became apparent in February last year, when de Smith noticed that sales at Viewtext were beginning to stagnate and margins were slipping. "There was a lack of profitable contracts and the business just was not being tightly enough managed. It needed much

Viewtext's biggest problem was that all of its sales were going through distributors, who were failing to push its products as hard as Applied Telematics would have liked. De Smith promptly abandoned his old arms-length attitude to Viewtext, took full charge of the operation and switched to direct selling.

As a result, Viewtext's profits rose from £20,000 to £80,000 in the year to last March. However, de Smith is still having to devote most of his time to managing the concern. Although it is bigger than the original consultancy business, employing 80 per cent of the group's staff, de Smith's efforts as group chairman could arguably be better devoted to raising the finance Applied Telematics so badly needs and considering how to launch the next diversification.

In that sense, de Smith is a classic example of a manager who finds that handling an expanding group is just as challenging—if not more so—than getting his business off the ground in the first place.

The implications of VAT registration

VALUE ADDED TAX is charged on the cost of supplies and sales — not, like other taxes, on profit. You, the businessman, are responsible for recording and collecting VAT and the administrative costs of doing so form an important part of your overheads.

If your business is VAT-registered, the price you charge your customers automatically includes VAT. So if you sell something for £100, that includes £13 of VAT. You cannot go back later and say that you meant to sell the goods for £100 *plus* VAT. You must, therefore, always be clear whether or not your prices include VAT.

The VAT you charge to customers is called "output tax," while the tax you pay to a registered supplier is called "input tax." You deduct input tax paid from output tax received and pay the difference to Customs and Excise. If, however, your input tax charge exceeds your output tax receipts, Customs will repay the difference.

You must issue an invoice to your customers showing the VAT you have charged, and you will need a VAT invoice from your suppliers to enable you to deduct input tax. The invoice normally determines when you must account for VAT. Correct records and procedures are absolutely essential.

Once your turnover exceeds the current registration limits—£19,500 annually or quarterly sales of £6,500—you must register for VAT. You therefore need to keep up to date on your turnover, as once you pass these levels you are obliged to notify Customs within ten days of the end of the current quarterly accounting period.

You must also register if your turnover for the coming year can reasonably be expected to exceed the limit. Once you are liable to register, you have to account for VAT, whether or not you do register immediately. Failure to register may mean that you have to hand over tax which you have not charged your customers and which you cannot recover from them.

If you are not registered or liable to be registered, you do not charge VAT. Neither can you recover input tax, which merely becomes an extra business cost.

Your turnover comprises all the taxable supplies you sell. Anything you do in the course of your business for money or money's worth is a supply, although business gifts may also be included. Not every supply is, however, taxable. Some are exempt from VAT—mainly land and financial services.

If you only sell exempt supplies, your turnover does not count for VAT purposes and you do not have to register. If you sell both taxable and exempt supplies, you must register if the former exceeds the £19,500 annual turnover limit.

Taxable supplies are subject to VAT at the standard 15 per cent, or the zero rate, which applies to food, transport and exports. If all your supplies are zero rated, you charge no output tax, but you get your input tax back in full. You must know whether your supplies are taxable or exempt and, if taxable, whether at the standard or zero rate. Customs and Excise issue detailed guidance on this, as on other aspects of VAT. If you seek Customs' advice, they must be given the full facts and their views should be recorded in writing just in case there is any dispute.

Many traders have used VAT to fund their businesses by delaying payments to Customs. Legislation now in the Finance Bill will make VAT an expensive source of funds by introducing a system of penalties and surcharges for late payment. While the crack-down probably will not come into force until next year, you need to review your VAT systems now to ensure that you do not fall foul of the new rules later.

Malcolm Gammie

Malcolm Gammie is director of national tax services at KMG Thomson McLintock.

In brief...

HENLEY Distance Learning claims to have devised a solution for small business managers who want to learn about marketing but cannot afford the time to go away on a course.

It has just launched a self-study programme entitled Marketing for Managers, which consists of a series of five workbooks backed up by videos and audio cassettes, including contributions from management stars like ICI's John Harvey-Jones and Jaguar's John Egan. Details from Henley Distance Learning, Greenlands, Henley-on-Thames, Oxon, RG9 3AU.

More advice on marketing is available in the recently published book, Marketing for the Small Firm, by Rick Brown, lecturer in marketing at the University of Bradford Management Centre. It contains practical guidance, based on case studies, on a range of marketing techniques, including pricing, product management, advertising, selling and distribution.

The book costs £5.95 for 184 pages and can be obtained from Holt Saunders Publishers, 1 St Anne's Road, Eastbourne, East Sussex, BN21 3UN.

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THE EXTENT of the last minute rush by Business Expansion Scheme funds to invest their money before the end of the tax year is revealed in a report published this week.

The latest issue of Investment and Tax Planning Services' outline guide to the BES estimates that 71 per cent of almost £50m invested by funds and open-ended BES schemes in 1984-85 was placed with small companies in the final three months of the tax year from January 1 to April 5.

The rush happens because BES funds have to be fully invested by the end of the tax year if they are to offer shareholders full tax relief. But they often find it difficult to collect subscriptions early because many investors want to wait until their tax position is clear before deciding whether to take a flutter on the BES.

Several funds have, however, already opened their doors to investors in the hope of avoiding a scramble at the end of this tax year. Full details are available in the guide, cost £6, from John Harrision, 7 Regal Lane, London, NW1 7TH.

He makes it, she leases it

Nobuko Hara on a Japanese husband and wife venture

SCULPTURES WILL become as common a sight in Japanese offices as the ubiquitous leased plants if Muneaki Ueda, of Temporary Center, has his way. For Ueda's company, a temporary staff agency which has also established a venture business financing scheme, has backed a sculpture leasing company which within nine months of its formation found itself facing competition from three companies in a hitherto untouched market.

Ueda, however, does not feel that the company, Temporary Sculpture-Lease Co, needs to feel threatened. "I doubt if any of the competitors will succeed," he maintains. "They do not have the artists' contacts that we do."

Temporary Sculpture was started by Michiko Ogai, whose husband is a sculptor, with exhibits in various museums and galleries, and even the Vatican. There are only five sculptors in Japan who can earn their living from making sculptures alone, Mr Ogai says, and the rest make ends meet by carving tombstones part-time. Mr Ogai, who is now a full-time sculptor, makes on average a mere Y500,000 (£1,600) a year.

With a small child to support, the Ogais were in a "desperate financial situation," and went out job-hunting. "I was hoping that I would find something related to sculpture, one thing that I know well," she reminisces.

She was toying with the idea of sculpture-leasing, when she read about Temporary Center's venture business financing scheme. Mrs Ogai stayed up all night to write an outline of the leasing-business which she then delivered to the Center.

No word was heard from Temporary Center for months. "I could not believe that such a good idea could be rejected," she says. Ueda, however, had written off the idea for two reasons: difficulty in ensuring supply; and a seeming lack of demand.

On hearing the negative decision, Ogai went out conducting market research on her own. The response she received from restaurant managers and business corporations was more than encouraging.

Armed with statistics, she appealed to Ueda, and explained to him the financial hardship suffered by sculptors in Japan. In the end it was the emotional argument, as can often be the case in Japan, which won the day. "If it means helping the development of arts in Japan, why not," said Eizaburo Namba, president of Temporary Center.

So, in August last year, six months after Ogai first submitted her proposal, the leasing company was set up with capital of Y 8m (£20,000)—Y 1m of which came from Ogai's savings.

Ogai has gathered a huge variety of sculptures, of all sizes —ranging from what looks like a replica of a Greek goddess to a futuristic brass work. With the help of three artistic directors—one of whom is her husband—she selects the sculpture that suits a given environment.

The minimum leasing-charge is Y 5,000 a month, going up to Y 50,000, depending on size. Every three months a different sculpture is delivered. The revenue is split down the middle with the artists.

Initially, Ogai had only 12 contracts, but today it has grown to some 250, using 70 sculptures. In addition to restaurants and companies, she now supplies to estate agents showing housing models. "A few people have asked for the sculptures with the house they are buying," says Ogai enthusiastically.

Some of her sculptures have found permanent homes—seven have so far been purchased. Before the end of the year, Ogai is aiming to find customers for 300 sculptures—a more than 200 per cent growth in seven months.

Ogai feels her company has brought sculptures close to people and helped develop a market for the artists. "I really am not doing this entirely for money," she maintains. "I want to provide more opportunities for sculptors to present their works."

Temporary Center is not too anxious to make a quick profit either. Ueda says the plant-leasing business took three years really to take off in Japan. "It may happen sooner with the sculpture trade."

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TECHNOLOGY

EDITED BY ALAN CANE

The thinking automobile prepares to take to the road

Geoffrey Charlish on GM's bid to bring computers to Europe's cars

IN THE car of tomorrow, the driver can almost take a back seat.

Computers will be able to change gear, adjust the heating, turn on the lights and perform many other tasks.

Under the bonnet, many mechanical systems will disappear and a microcomputer will continuously tune the engine, adjust the suspension and monitor the exhaust to prevent pollution.

The volume-produced car that can think will appear all the quicker with the setting up by General Motors of a $12.5m European Technical Centre in Luxembourg.

The centre will operate as an independent business unit within the corporation and will offer its services to all Europe's car makers.

It will develop computer systems for engine management, emission control, transmission management, suspension control, instrumentation and air conditioning. Such systems, integrated so as to be able to "talk" to each other, will probably be in European cars within the next year or two.

A 50-strong team will be able to draw on technology already developed in the U.S. by AC Spark Plug, three Delco companies and other divisions in the GM Electrical Components Group.

Much emphasis is being placed on integration at the Centre—the process of making the various car systems communicate to produce the best overall result.

According to Mr Edward Czapor, vice president in charge of the Electrical Components Group, there has so far been no serious regard for how the parts fit into the whole "Today we must view the entire vehicle as an entity," he says.

This means, for example, that an electronic ignition system should not be designed without considering the design of the fuel injection system, since the provision of a spark at the right moment and the delivery of the fuel and air mixture are part of the same problem. Gear ratio and the demand being made by the driver are similarly related while at the same time — in the U.S. at any rate — exhaust emissions have to be minimised.

It was U.S. emission control standards imposed 10 years ago that provided GM with the incentive to put a microcomputer in each of its vehicles. It also developed catalytic converters which, given unleaded fuel, have cut emissions to five per cent of their previous levels in some areas.

GM catalytic converters are installed in over 60m vehicles in the U.S. Although Europe has no Californian smog problems, few emission regulations and little unleaded fuel, GM clearly feels that eventually, the EEC will follow the U.S.

However, a major stumbling block to putting catalytic converters and computer controls in Europe's small volume-produced cars is the cost as a percentage of the car's selling price.

Furthermore, there is no agreement among European governments, and West Germany seems to be giving up its fight to make Europe fall in line with U.S. standards, except perhaps for larger cars.

But lead-free petrol—a prerequisite for efficient emission control according to the GM specialist—seems unlikely to be available in the EEC within four years.

So the Luxembourg centre might seem something of a gamble.

On the other hand, computer control can improve performance and fuel economy, and is already in use in high quality expensive European cars.

In addition GM has formidable experience of vehicle computers and has even sold vehicle electronics to Suzuki. "If we can sell to Japan we can sell anywhere," claims Mr Czapor.

In Indiana and Wisconsin, GM's Delco Electronics division, with offshore plants in Mexico and Singapore, is a major computer and silicon chip manufacturer in its own right. It makes 600,000 chips and 22,000 digital control modules for cars every day. "We make more computers than IBM," says Czapor.

GM's electronic technology is wel advanced. For example, it has been using surface mounted components on its printed circuit boards for nearly three years. In most parts of the electronics industry itself—apart from the military contractors and some computer majors—the idea is still in its infancy. GM has also had to develop chips that survive under a car bonnet, where heat and vibration call for near-military specifications.

Operations of the microcomputer in principle is simple. Input signals are derived sensors that measure speeds, pressures, flows, driver demands and other variables. The present design can handle up to 512 variables.

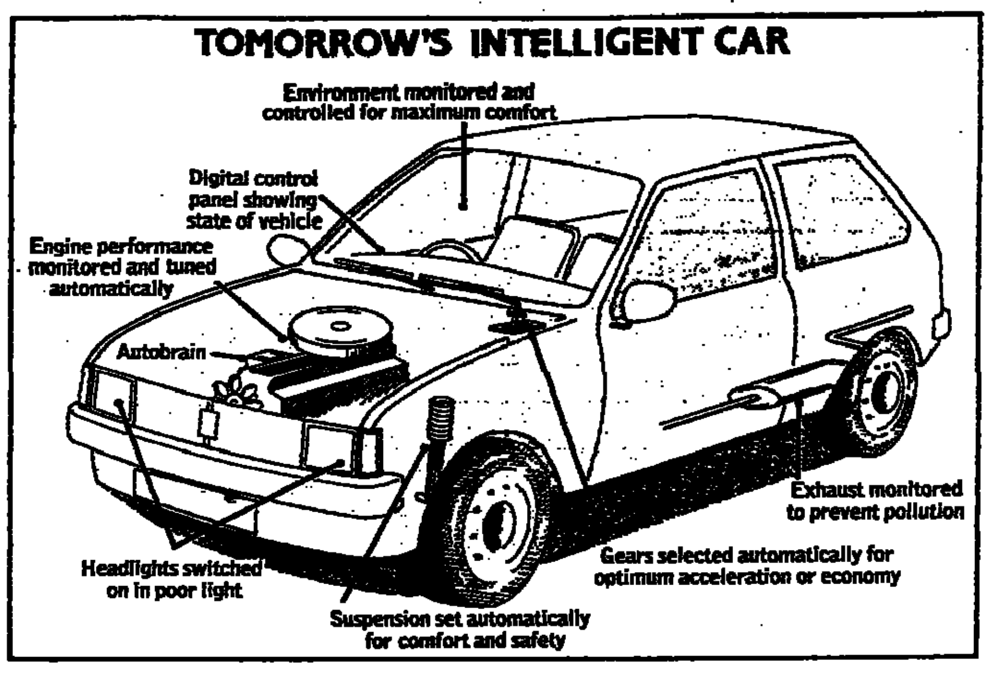
The digital processor, programmed to suit the particular engine/vehicle combination, makes split-second calculations and provides outputs that control fuel, air, ignition and other variables to give best operation of the vehicle.

Far from creating a maintenance nightmare, the computer in fact make life rather easier for garages according to Mr Richard Kerruish, manager of electronics development at the centre.

Because the computer is constantly monitoring both itself and the operation of the vehicle (against a pre-determined calibration), it can immediately signal to the driver if a problem is developing with a "check engine" dashboard light. This same display shows diagnostic codes to the service engineer who then knows what actions to take.

The engine management computer is able to communicate over a data link to other computers that may be in the car, and with assembly line diagnostic computers that allow assembly errors or faulty components to be detected before the vehicle goes to the customer.

Future work will be aimed at integrating gear shift with engine management. Later, Kerruish expects to achieve an electronic integration and control level that will eliminate most of the controls not concerned with immediate driver demand



Why the euphoria over satellite television may be misplaced

Despite easier rules on licensing satellite TV, video is likely to be the winner, argues John Chittock

PEOPLE in the U.S. last year spent nearly twice as much on cable television for their entertainment viewing as they did at the cinema box office.

With statistics like that from the land of liberalised television, it is easy to understand why cable TV has been the big white hope of the media business in Britain. And why the recently-announced relaxation of satellite TV reception regulations has caused a wave of euphoria in the business.

The new rules will allow anyone to apply for licences to receive, via dish aerials, satellite transmissions from programme suppliers as Screen Sport, Sky Channel and the Premiere movie channel. More significantly, licences will be available in hotels and blocks of flats—the so-called satellite master antenna television systems (SMATV).

Such installations, with large dishes aimed at the low powered satellites now used for relaying cable services, differ from the planned direct broadcasting by satellite (DBS) services causing such a dilemma for the BBC, ITV and others. DBS relies on more expensive, high powered satellites so that individual homes can receive adequate signals on smaller and relatively cheaper dish aerials.

A larger SMATV installation may cost a hotel anything from £2,500 to £10,000, but Thorn EMI's new Galaxy Television will be offering leasing arrangements—a welcome extension to the ailing TV rental business. Other companies moving in to supply hotels and apartment blocks include Sat-Tel, which is stepping up production from 100 satellite receivers per month to 500, Master Antenna Systems (Rentals) and Megasat—a market leader in dish aerials which is even offering systems for the domestic viewer to put in his garden for between £1,200 and £1,700.

The easing of restrictions still leaves, however, quite a few hurdles for the aspiring hotel operator or the householder who wants to keep ahead of the Joneses. Apart from the licences and cable authority approval, planning permission may be needed for the siting of the dish.

With only 650 hotels in the UK with more than 100 rooms, the initial market is hardly huge, although apartments and clubs will extend the opportunity.

Video & Film

In any event, the assumption that satellite and cable viewing is the future growth area for programme suppliers could be wrong. Hollywood's revenue from pay cable viewers in the U.S. last year grew only 6 per cent, against almost 30 per cent growth in video revenue. Some 21 per cent of the world revenue for feature films now comes from the home video market, according to one American study—and this market is still far from reaching a plateau.

Even more significant, the National Video Corporation—a major producer of opera and ballet programmes — now reckons its revenue from video is about to equal its income from television sales. This surprising statistic underlines another point that some in the media business are beginning to take seriously—that the mainstay of the movie business, the feature film, is losing out to other kinds of material.

Further evidence of this comes from the rapid growth of music video. It has four cable channels in the U.S. and is becoming a major industry in the UK, where some video technical facility houses now rely on pop music productions for most of their work.

Industrial and management training has already demonstrated the potential for minority audiences paying high prices. When the first British-made commercial training films appeared in the 1960s, few believed this would become a significant industry.

Companies such as Rank and Video Arts have shown otherwise, and now it seems that everyone is making films and video programmes for the training market.

Cost and audience profiles are now over-riding considerations. The vicious paradox is that as methods of distributing moving pictures proliferate, the demand for quantity increases as the audience become fragmented and smaller.

But with the means of reaching the right audiences now available, the specialist producers are discovering something generally denied to broadcasters—that audiences will pay for what they want to see, tired of being offered an abundance of free programming over which they have little or no control.

The next few years may thus see the mass appeal of broadcasting and the cinema give way to the selective appeal of satellite, cable and video—but wih video in a better position to offer almost infinite choice at a premium price.

Airlines hit by volcano nuisance

THE ERUPTION of two volcanoes in North America in 1980 and 1982 has proved to be a nuisance for airlines on the North Atlantic routes and a money earner for a small West Midlands company.

The debris from the eruption of Mount St Helen's in Washington State and El Chichon in Mexico is still in the upper atmosphere, and is likely to remain there for some time.

It has resulted in damage to airliners' paintwork and rapid deterioration to the optical finish on acrylic plastic passenger windows, which have to be removed and polished more frequently. Previously, this was done every 15,000 to 20,000 hours but must now be carried out about every 2,000.

Harper Canning, a Birmingham finishing company, is now selling an increasing number of Uniflex polishing systems, one of which is used by British Airways

Outer windows are first abraded on the grinder to remove crazing, scratching and other marks, then polished on the Uniflex to restore clarity

This has replaced hand-processing methods on the thousands of windows handled at Heathrow. They are now polished automatically on a conveyor system.

Harper Canning says the scratches are a safety hazard, since they can develop into stress cracks unless removed.

Baking a better pie

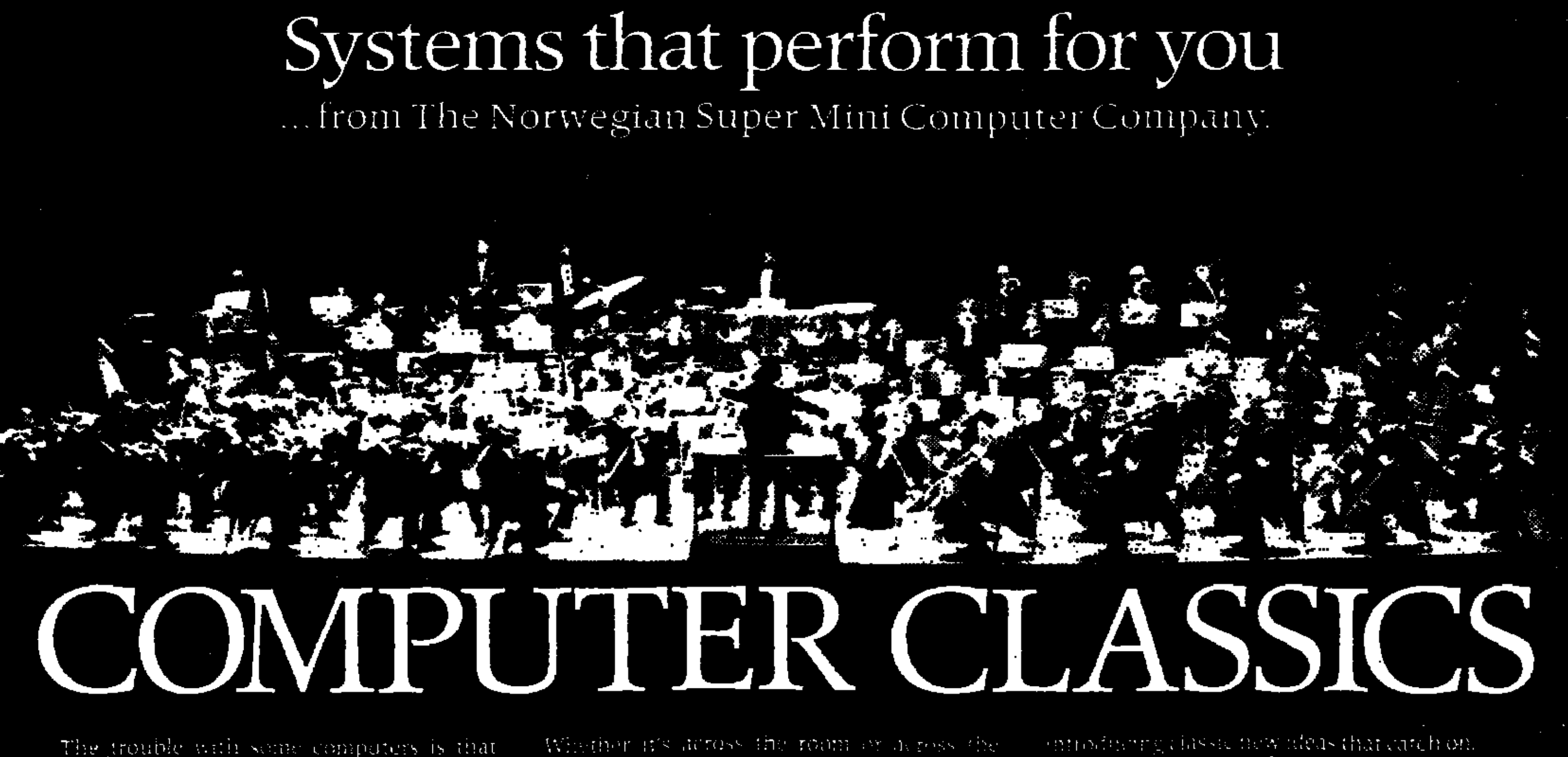
MANUFACTURERS of pies, pizzas, sausage rolls and Cornish pasties can improve quality and increase throughput with a new food processing machine built by Rijkaart of Asperen, Holland.

Called a Multi Trio Laminator and Sheeter, the machine takes a block of laminated dough and, acting like a massive rolling pin, reduces it to the correct thickness.

According to the makers, it does this by carrying the block up to and under a revolving drum consisting of 12 stainless steel rolers which revolve against the direction in which the block is travelling.

The rollers press the block of dough onto a second stainless steel roller, revolving in the same direction of travel as the pastry.

The machine can be built for working widths of between 200 mm ad 1200 mm and will reduce pastry to a tenth of its original size. The machine's gentle handling properties guarantee excellent baking results, the makers say.



FT COMMERCIAL LAW REPORTS

English jurisdiction supported by option to sue in the U.S.

STOLT ARGOBAY
Court of Appeal (Lord Justice Ackner, Lord Justice Robert Goff and Lord Justice Browne-Wilkinson): May 23 1985

A NEW YORK suable clause inserted into an insurance policy merely confers an option to sue in New York and *does not in itself* indicate that U.S. law is the law of the contract; and if the contract is governed by English law in that it is most closely connected with England a further contract made in Italy expressed to be in the same terms is also, by implication, governed by English law.

The Court of Appeal so held allowing an appeal by Cantieri Navali Riuniti, SpA, ship repairer and assignee of an insurance claim, from Mr Justice Mustill's decision setting aside leave to serve a writ out of the jurisdiction on Italian insurers Unione Mediterranea di Sicurta and Compagnie Assicurazione di Milan.

Order 11 rule 1 of the Rules of the Supreme Court (RSC) provides: "(1) . . . service of a writ out of the jurisdiction is permissible with the leave of the court if . . . (d) the claim is brought to enforce . . . a contract which (i) was made within the jurisdiction, or . . . (iii) is . . . by implication, governed by English law, or . . . (e) the claim is brought in respect of a breach committed within the jurisdiction . . ."

* * *

LORD JUSTICE ROBERT GOFF said that during 1978 Cantieri carried out substantial repairs to a ship called the Stolt Marmaro, formerly Stolt Argobay.

The repairs cost about $3m. *Cantieri and the owners contended* that the damage was caused by insured perils, namely heavy weather and crew negligence. The owners did not have the financial resources to pay for the work so they assigned to Cantieri a substantial proportion of their insurance claim.

In the present proceedings the claim was by Cantieri as assignee against Italian insurers who had underwritten 10.58 per cent of the risk.

The insurance was handled by London brokers, Crow Dalton Lambert (now being wound up). Forty-four insurers had been named as bearing varying proportions of the risk. Of the first four named three at least (Fenton Insurance, Walbrook Insurance and Drake Insurance) were English companies.

Having obtained 14.5 per cent cover from the first four companies, Crow Dalton Lambert appeared to have obtained the remainder from insurance companies overseas, through placing brokers.

The Italian insurers were approached by Italian brokers and the offer was made and accepted in Italy. *There was no* dispute that the contracts were made in Italy.

The policy, being in the Lloyd's SG form, was expressed to have been subscribed in London. Attached to it was a document setting out the terms of the insurance.

It read: "All terms, clauses, wording and conditions as in . . . the policy issued by Fenton Insurance . . . for the identical subject matter and period."

The conditions were made subject to the American Institute Hull clauses and other clauses, including clauses incorporated by *Crow Dalton Lambert* ("*CDL*" clauses).

Those included a New York suable clause which provided: "The place of actual and physical issue and delivery of this policy in London. Nevertheless, at the option of assured . . . place of issue and delivery . . . shall be considered New York and all matters arising hereunder shall be determined in accordance with American law and practice. Any suit . . . may be brought . . . within the U.S. . . . Final judgment against the assurers . . . may be enforced in any other jurisdiction including Great Britain."

At the bottom of the document was printed "All claims to be collected through Crow Dalton Lambert."

In September 1983 the Italian *insurers started proceedings in* Italy claiming a declaration that they were not bound by the policy on the ground of misrepresentation. In December Cantieri was granted leave to serve a writ on the insurers out of the jurisdiction.

Mr Justice Neill gave leave. On November 20 1984 Mr Justice Mustill ordered that leave be set aside. Cantieri appealed.

The first question was whether the case fell within Order 11 rule 1.

(1) The place where the contracts were made.

Cantieri submitted that having regard to the opening words of the New York *suable clause* ("the place of . . . issue and delivery . . . is London"), either the parties had agreed the contract was deemed to have been made in London; or the provision gave rise to an estoppel by convention whereby the insurers were estopped from contending otherwise.

There was no substance in either submission. The words did not provide that the place of making the contract should be deemed to be London; they simply recorded that place of issue and delivery was *London*.

Also, there was no common assumption of fact or law to found the basis of any estoppel *by convention*.

It followed that the case did not come within Order 11 rule 1 on the ground that the contracts *were made within the jurisdiction*.

(2) Governing law.

Cantieri contended that the contracts were governed by English law.

Mr Justice Mustill held that the Lloyd's SG form had been made redundant by the American *Institute Hull clause; and that* there was no need to construe the policy in the light of the Fenton policy in that the incorporated clauses were identical to *those in the Fenton policy*.

The proper law of the Fenton policy must be considered, the insurers having agreed to "all terms wording and conditions" as in that *policy*.

The contract with Fenton must have been made in London. Too close a connection with U.S. law must not be attributed by reason only of the fact that the terms were to be found in clauses published by American institutions. Those clauses were the most *important of the conditions subject* to which the insurance was written, but they contained no express reference to U.S. law.

Other conditions were not so *important, but they had been* introduced by London brokers and had no American flavour.

Furthermore, the New York suable clause was the nearest *thing to a choice of law clause.*

The clause was intended to confer on the assured an option to decide that all matters arising should be decided in accordance with American law. It appeared therefore to contemplate that unless the option was exercised the policy, having been issued and delivered in London, would be governed by English law.

That option was conferred on the assured alone. The companion right of suit conferred by the clause was expressly limited to suit brought in the assured's own name. "Assured" therefore did not appear to include an assignee and an assignee could *not exercise the option. The* clause therefore contemplated circumstances in which the option might not be exercised.

The centre of gravity of the Fenton contract was essentially English. The English connecting factor arose from the fact that the Fenton contract was made in London with an English assurance company as leading underwriter, through brokers working in the London market and under a policy incorporating provisions introduced by brokers accustomed to working in accordance with English law and *practice*.

The strong English connection was supported by the New York suable clause which contemplated that if the option were not exercised, the contract was governed by English law and practice.

Those factors outweighed the *American connection derived* from use of the American Institute clauses.

If the contract with Fenton was governed by English law, it must follow that the contracts with the Italian insurers were likewise governed by English law. Cantieri had therefore established a good arguable case that the contracts were governed by English law.

(3) Place where the contracts were broken.

In support of its contention that the contracts were broken in England Cantieri relied on the words at the foot of the CDL clauses: "all claims to be collected through Crow Dalton Lambert."

In *Stolos [1981] 1 Lloyd's Rep 9* it was decided that those words constituted no more than a notice to insurers that the assured had authorised Crow Dalton Lambert to collect claims.

In *Citadel [1982] 2 Lloyd's Rep 543* it was held that a failure to pay under a policy broked through London brokers constituted a breach within the jurisdiction.

Features of that case were absent from the present case, and it therefore did not provide any direct authority. It might be that in practice claims would be paid to the brokers in London, but there was no evidence of any binding practice, and it could not be said that there was a contractual term *requiring it to be done*.

It followed that Cantieri failed to establish a good arguable case on that point.

*

There must be a strong likelihood that if the insurers pursued the point that part of the damage to the ship was not caused by insured perils, other underwriters would take the same point.

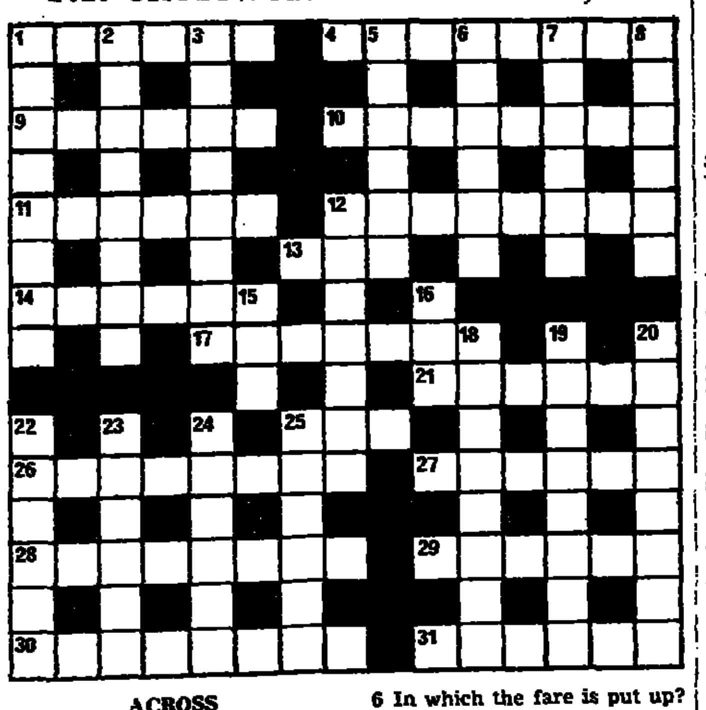
If so, all the claims should be dealt with in one jurisdiction. England was the most appropriate forum. The appeal should be allowed.

Lord Justice Ackner and Lord Justice Browne-Wilkinson agreed.

For Cantieri: Jonathan Gaisman (Richards Butler and Co.).
For the Italian insurers: Iain Milligan (Clyde and Co.).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,740



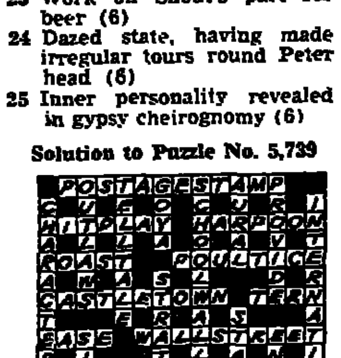
ACROSS

1 Calif's appointed legal official (6)
4 Twist on country road leads to Lancaster, for example (8)
9 Guard despatched by rail (6)
10 Tin basin re-designed as pot (8)
11 Fate secure for young Charlotte (6)
12 Transmission of money? (8)
13 Inspirational and very impressive person (3)
14 Tell Jumbly story? (6)
17 Doctor at Whit provides dose of medicine (7)
21 Alpine songs without words? (6)
25 Author of "The Swan" (3)
26 Flat Uist developed like Galway? (8)
27 Fuel that comes from the Thanet environment (6)
28 Pimento left in special recipe (8)
29 Mythical spinner of fabric and nothing besides (6)
30 Producer of "What the Papers Say?" (8)
31 Horror of twisted thread (6)

DOWN

1 E.g. Wellington's body? (8)
2 Talk about train-changing being germ-free (8)
3 The atmosphere on the pitch! Touchdowns will be frequent here (8)
5 Oriental beaded counter (6)
6 In which the fare is put up? (6)
7 Physiologically, one cannot be fairer than that (6)
8 Lamb pieces? (6)
12 It is drawn in peace-talks (7)
15 Unit of work—or of energy (3)
16 Timid throw (3)
18 Everything I run up is a pancake (8)
19 One passes port in such a vessel (8)
20 Radioset tuned for space-traveller (8)
22 Subject of a very loud melody (6)
23 Work on Snout's part for beer (6)
24 Dazed state, having made irregular tours round Peter head (6)
25 Inner personality revealed in gypsy cheirognomy (6)

Solution to Puzzle No. 5,739



CONTRACTS

Singapore cable job for Pirelli Construction

Last October **PIRELLI CONSTRUCTION**, principal installation organisation of Pirelli UK, won a £7m contract from Trefi*cable Pirelli, France, for the in*stallation of 66,000 volt cables in Singapore. Now, in association with Societa Cavi Pirelli, Italy, a further order has been obtained, the installation content of which is valued at £4.7m. The contract has been won by Societa Cavi Pirelli through Cablexport and is for the supply and installation of supertension power cable for the Public Utilities Board of Singapore. The total project calls for a supertension power cable link between the power station on the island of Pulau Seraya and the 230,000 volt Labrador substation on mainland Singapore. The cables, which will be manufactured by *Societa Cavi Pirelli* of Milan, are of the single core oil filled type with a 2000 sq mm copper conductor and corrugated aluminium sheath. Installation starts early next year with completion due early in 1987.

*

The Central Computer Service of the Greater London Council has placed a £100,000 order for a VERSATEC ECP 42 colour plotter to be linked to two IBM mainframes, a 3033 and a 3081. It is believed to be the first electrostatic colour plotter in the UK to run on IBM's CADAM 19.2 release software. The Versatec plotter will be linked to one of the largest CADAM systems in the world. The Central Computer Service has 450 staff offering expertise in all aspects of computing in support of a wide *range* of facilities for the GLC and the London boroughs. The software branch's group supports not only CADAM, but a variety of packages which use three *Series* 8000 Versatec monochrome plotters used as a central resource. The colour electrostatic plotter will produce composite drawings on which the use of colour *enables differentiation* between the types of information.

*

Over the first three months of 1985, **STC TELECOMMUNICATIONS** has won orders worth £1.5m for its wide area radiopagers made in Northern Ireland. In the UK, orders have been received from British Telecom, and export orders have also been gained from Hong Kong, New Zealand, Middle East, Sweden and the U.S. The STC Major Call is a small "bleeper," which enables the user to stay in touch while away from work or home. Four different and distinct "bleeps" tell the user which location requires to be contacted. Major Call also has a memory that will store incoming calls. *In this mode a red attention* light will continue to flash until all calls have been acknowledged.

Orders worth £750,000 have been received for the STC Tele-Check, a credit authorisation terminal designed to combat credit card fraud and improve the speed and efficiency of card transactions. The enhanced version of the STC Tele-Check in*corporates sockets for connecting* to a printer and PIN pad and can support a number of different protocols for printers. An off-line data capture facility is also [illegible]vailable for connecting to cash [illegible]ill via an RS 232 interface. This [illegible]lows for normal operation of [illegible] cash till to take place while [illegible]le-Check is feeding data [illegible]wn the telephone line. These [illegible]minals are currently being [illegible]pplied to major electrical re[illegible]ilers in the UK.

*

[illegible]ULZER BROS (UK) has been [illegible]warded a £400,000 contract by [illegible]arratt Construction for installing mechanical services at Frasers department store at Princes Street, Edinburgh. Work includes stripping out existing steam boilers and heating system and replacing them with low pressure hot water heating, ventilation, hot and cold water services and sanitation system. The sprinklers, fire fighting mains and services will be altered and extended, while the kitchens and restaurants will be fitted with partial ventilation and extraction plant. This contract forms part of a scheme to partly demolish, extend and refurbish the department store for House of Fraser (Stores). Work is scheduled for completion in October 1985.

*

CROTHALL & CO, a member of Pritchard Services Group, has won almost £1m of ancillary services contracts at healthcare establishments. Three contracts have been awarded at hospitals and clinics in Warwickshire, Croydon and Cambridgeshire. The first is with the South Warwickshire Health Authority and covers domestic cleaning services and patient-related duties at the 195-bed Warneford Hospital in Leamington Spa. The extra duties include making and serving beverages, assisting with the distribution of meals, collect*ing crockery, and washing-up.*

At Croydon, Crothall has been awarded a 3-year contract for domestic services at 12 clinics *and dental clinics in the Norbury,* Purley and Shirley areas. The contract also covers some caretaking functions, such as keyholding and alarm setting. This contract is believed to be the first for domestic services awarded by Croydon Health Authority to an outside contrac*tor.*

The third contract is for domestic services at the Ministry of Defence Hospital at RAF Ely. This has been held by Lesters Health Care Services since it took over from direct labour in 1982. Lester's healthcare operations were incorporated into Crothall in January following its acquisition by Pritchard Services Group last year.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	64.2	68.3	+0.1	3.33
Accum Units	94.9	101.0	+0.1	3.33
Pearl Inc.	88.5	94.1	+0.1	4.91
Pearl Unit Tst	92.7	98.7		4.06
(Accum Units)	156.8	166.9		4.06

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	182.9	196.3	-0.6	1.48
Income	137.2	147.6		5.51
Worldwide Recovery	105.2	112.9	-1.2	2.10
American Growth	58.6	62.9		0.68
Intl. Emerging Cos.	59.7	64.1	0.2	0.80
Far East Growth Fd.	47.4	50.9	+0.1	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2 01-247 7544

Prolific Far East	105.7	113.3	+0.9	0.45
Prolific Extra Inc	62.9	66.9	-0.2	9.77
Prolific Gilt Cap.	79.1	82.3	-0.5	3.36
Prolific High Inc	130.9	139.3	-0.6	5.17
Prolific Intl	85.9	92.0	+0.1	1.57
Prolific N. Amer	119.3	127.6	+0.1	1.47
Prolific Spec. Sits	146.6	156.0	-0.3	1.42
Prolific Technology	110.2	118.1	-0.6	0.86

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.2	52.1	-0.1	0.19
Worldwide	48.6	51.5		1.58
European Trust	47.9	50.7	+0.2	0.92
North American	53.8	57.0	+0.4	1.07
UK Equity	48.7	51.6	-0.1	3.09

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	322.4	342.9	-1.2	3.64
Holborn Gilt Tst.	148.1	154.9	-0.4	9.17
Holborn High Inc	53.1	56.4	-0.1	7.80
Holborn Intl.	56.7	60.3	+0.5	0.60
Holborn UK Growth	63.4	67.4		3.30

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	323.8	344.5	+2.3	3.43
Quadrant Income	182.4	192.1	+0.5	6.22
Quadrant Intl. Fund	306.4	322.6		1.51

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Equitable Life Assce. Soc.
31, St Andrew Sq, Edinburgh 031 556 9101

Mixed	215.4	226.8	-1.1
Equity	239.7	252.4	-1.1
Property	119.8	126.2	
Fixed Interest	128.3	135.1	
International	227.6	239.6	-0.4
Index Linked	109.2	115.0	-0.9
Cash	120.32	120.66	-0.1
Edinburgh Inv	112.7	118.7	+0.22
Edinburgh American	114.4	120.5	-2.6
Baillie Gifford Japan	103.2	108.7	

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Property	104.7	110.3	
UK Equity	124.4	131.0	-0.7
American	135.1	142.3	+1.0
Pacific	103.0	108.5	+0.9
European	119.1	125.5	+0.4
International	117.5	123.8	-0.7
Fixed Interest	101.4	106.8	-0.6
Index Linked	101.4	106.8	
Deposit	102.6	108.1	
Managed	112.5	118.5	+0.1
Pens. Property	108.4	114.2	+0.1
Pens. UK Equity	131.5	138.5	-0.9
Pens. American	143.6	151.3	+1.2
Pens. Pacific	105.2	110.8	+1.1
Pens. European	124.6	131.2	+0.4
Pens International	123.3	129.9	+0.8
Pens. Fixed Int	104.1	109.7	-0.6
Pens. Index Linked	104.0	109.5	
Pens Deposit	108.0	113.7	+0.1
Pens. Managed	117.0	123.2	+0.1

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow 041-248 6321

Pen Exd April 20	619.4	638.6	
Pen Mngd April 20	421.8	434.8	

Scottish Mutual Investments
109 St Vincent St, Glasgow. 041-248 6321

Safety Fund	96.6	101.7	+0.3
Growth Fund	96.2	101.3	-0.1
Opportunity Fund	95.9	101.0	
Cash Fund	95.2	100.3	
European Fund	96.5	101.6	+0.1
Gilts & Fixd Int Fund	96.2	101.3	-0.1
Index-Linked Fund	95.7	100.8	+0.1
International Fund	95.1	100.2	-0.3
North American Fund	95.3	100.4	-0.4
Pacific Fund	94.6	99.6	-0.2
Property Fund	95.2	100.3	+0.1
UK Equity Fund	96.0	101.0	-0.8
UK Smaller Cos. Fund	97.7	102.9	-0.4

Scottish Provident Institution

Sun Life Unit Assurance Ltd.
St James Barton Bristol BS99 7SL 0272 426911

Managed Acc	320.7	337.6	-0.9
Property Acc	196.7	207.1	
Equity Acc	448.5	472.2	-2.4
Fixed Interest Acc	182.4	192.0	+1.0
Index-Linked Acc	104.5	110.0	-0.2
Cash Acc	165.8	174.6	+0.1
American Equity Acc	181.3	190.9	-2.0
U S Bonds Acc	111.7	117.6	-0.4
Japan Acc	113.0	119.0	+0.4
Pacific Acc	105.1	110.7	-2.4
Far Eastern Acc	240.7	253.4	-1.1
International Acc	227.1	239.1	-1.4
U S Dollar Acc	104.5	110.0	+0.7
Yen Acc	97.4	102.6	+0.2
European Currency Acc	95.4	100.5	-0.1
Distribution	142.6	150.2	-0.8 10.07

Sun Life Pensions Management Ltd

Pens. Managed Acc	316.1	333.8	-1.8
Pens. Property Acc	159.7	168.2	
Pens Equity Acc	405.9	427.3	-2.2
Pens. F Interest Acc	172.3	181.4	-0.7
Pens. Ind. Lnkd. Acc	106.2	111.8	-0.1
Pens. Cash Acc	167.5	176.4	+0.2
Pens. Amer. Equity Acc	151.7	159.7	-1.8
Pens. U.S. Bonds Acc	132.5	139.5	-1.0
Pens. Japan Acc	117.6	123.8	+0.1
Pens. Pacific Acc	124.3	130.9	-2.0
Pens. Far Eastern Acc	355.7	374.5	-4.3
Pens. Internat. Acc	291.5	306.9	-1.7
Pens. U.S. Dollar Acc	110.6	116.5	+1.1
Pens. Yen Acc	101.2	106.6	+0.5
Pens. Euro. Curr. Acc	95.0	100.0	-0.3

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450162

Equity	£182.99	188.64
Fixed Int.	£124.00	129.60
Index Linked	£109.29	109.89
Property	£145.28	149.77
Cash	£118.16	118.16
Mixed	£164.52	171.46
International	£125.61	129.44

Next sub. day June 12

TSB Life Ltd
PO Box 3, Keens Hse, Andover, Hants SP10 1PG 0264 62188

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

COMMODITIES AND AGRICULTURE

U.S. suffers 12% dive in farmland values

By Nancy Dunne in Washington

THE VALUE of farmland in the U.S. has suffered its steepest decline in value since the great depression, according to the U.S. Department of Agriculture (USDA).

The government's index of farm real estate values plummeted 12 per cent from April 1984 to 1985. The drop would be 16 per cent if inflation, figured at 4 per cent for the year, was considered in the estimates. The last time the index sank so precipitiously was in 1932 and 1933 when values dropped 17 and 19 per cent, respectively.

The decline in land values has raised great concern in Washington about the stability of many U.S. farm banks, which have made loans on what are now inflated assets. There are fears that a rising number of farm bankruptcies will spur new bank failures, leaving even healthier farm interests with a limited number of credit institutions.

Mr John Block, U.S. agriculture secretary, has been predicting in recent months an end to the fall in land values. At some point, it is believed, today's creditworthy farmers will find the lower land prices attractive and decide to expand.

The largest annual drop in land prices regionally, 25 per cent, was reported in the corn belt states of Ohio, Indiana, Illinois, Iowa and Missouri. Of these, Iowa was hardest hit with a 29 per cent drop.

In Oklahoma land values actually rose 19 per cent, and were up in many north east states, as well as in areas where land is desirable for real estate development.

But values were mostly down considerably below last year. They dropped 21 per cent in the Great Lake states; 10 per cent in the pacific states; 11 per cent in the rocky mountain states; 8 per cent in the Appalachian states; 5 per cent in the south-east; and 9 per cent in the southern Delta states.

Oil continues sharp decline as Opec meeting looms

BY IAN HARGREAVES

OIL PRICES continued their recent sharp downward trend yesterday, amid a growing belief in the oil market that the Organisation of Petroleum Exporting Countries will be forced to cut prices when its ministers meet in Geneva on June 30.

Forward positions for Brent, the main North Sea crude, were especially weak, trading as low as $25.45 for September delivery, compared with $25.85 at the end of last week.

In New York a similar pattern occurred in the futures market, with light crude prices trading down to $25.12 a barrel for the December position, compared with $26.74 for July.

Traders are betting that Opec ministers will be forced to cut the price not only of heavy oil, as Saudi Arabia has already proposed, but also of light grades.

It is widely believed, however, that the June meeting will be the first of a series this summer as Opec attempts to re-establish a workable pricing and production structure in the face of weak demand and rising output from non-Opec countries.

The market has been further unsettled by reports at the end of last week that Abu Dhabi, an Opec member, has offered a 55 cents a barrel price discount to Japanese term customers.

Although the United Arab Emirates oil ministry has firmly denied reports that this constitutes an official price cut, there was further confirmation yesterday that discounts have been made available to Japanese customers. Saudi Arabia is under strong pressure to make similar concessions to its customers.

Although the oil industry is deeply nervous about the outlook for oil prices this summer, the feeling among some traders yesterday was that the market may have overdone its decline in the last few days. Spot crude prices were also firm yesterday, indicating a shortage, especially of Brent, for immediate delivery.

They pointed out that product prices have not been as weak as crude prices and that most of the recent trading action has been in the notoriously volatile forward Brent market.

There was another piece of bad news for Opec yesterday, however, when Phillips Petroleum said there was no danger that output from its large Ekofisk field in Norway would be affected by maintenance problems.

The Ekofisk platform have been sinking, because of subsidence problems on the sea bed, and there has been speculation that the field may have to be shut down this summer for repairs. Phillips yesterday denied that this would be necessary.

Cash call to prop up rubber price

BY OUR COMMODITIES STAFF

THE International Natural Rubber Organisation has called up an extra M$100m (£32m) to help finance more support buying by its buffer stock to sustain market prices.

The Organisation has asked the 33 member countries of the International Natural Rubber Agreement to provide the additional money required within 14 days from June 14. The extra M$100m will raise total contributions by members to about M$800m since 1981. The decline in the natural rubber market during the past few months has pushed prices below the buffer stock's "may buy" level of 177 Malaysian Singapore cents a kilo (it is currently just above 173 cents). As a result the buffer stock has been forced to resume support buying. It is estimated that the buffer stock has bought some 11,000 tonnes in recent weeks raising total holdings to over 280,000 tonnes.

If buffer stock holdings of surplus rubber go above 300,000 tonnes a special meeting of the International Natural Rubber Organisation has to be called to review the market situation.

In theory the Council could then decide to lower the Agreement's "floor" and "ceiling" price range, but this would be strongly opposed by producer countries, who already maintain that the existing range is far too low and has not kept up with the increases in production costs.

Meanwhile a special meeting of the International Natural Rubber Organisation is being held this week to decide on the extension of the Agreement for another two years, and the appointment of a new buffer stock manager.

Wong Sulong in Kuala Lumpur writes: Consumer members of the organisation are still in dispute over the choice of the new buffer stock manager.

Traditionally, the job is reserved for an American, but the two nominees put forward by the U.S.—Mr Robert Sanders, the Inro bufferstock representative in New York and Mr John Stenger, a New York rubber dealer—were rejected at the last meeting in April.

It is believed the U.S. intends to submit the same two names at this week's meeting, while some European consumers feel they should be allowed to nominate fresh candidates. Producers are said to be agreeable to any candidate the consumer members may come up with.

Falls in stocks fail to rally aluminium

By John Edwards, Commodities Editor

ALUMINIUM prices eased on the London Metal Exchange yesterday in spite of continued declines both in world stocks and in LME warehouse holdings.

Figures issued by the International Primary Aluminium Institute showed that stocks of all kinds of aluminium, primary and secondary, fell in the non-Communist world in April to 4.278m tonnes compared with 4.295m in March and 3.947m in April last year. Primary metal stocks declined to 2.437m, against 2.467m in March and 2.075m tonnes a year ago.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending June 7)

		tonnes
Aluminium	−1,500	to 98,825
Copper	+5,100	to 110,175
Lead	+125	to 35,125
Nickel	−318	to 4,902
Tin	+745	to 22,630
Zinc	−1,125	to 41,325
		(ounces)
Silver	−610,000	to 49,960,000

Traders said the stocks decline was largely in line with expectations and therefore did little to reverse the present downward pressure on the market. The continued fall in LME warehouse stocks of aluminium had the same effect.

In contrast copper prices gained ground, although the increase in LME warehouse stocks was larger than generally anticipated. The market was boosted by the weaker trend in sterling and a firmer than expected opening trend in New York.

Reuter reported from Lusaka that the week-long strike on the Zambian copperbelt has officially ended.

Amax announced yesterday that it was lowering its domestic selling prices in the U.S. for zinc by 2 cents to 44 cents a lb and for lead by 1 cent to 19 cents a lb.

Farmer's viewpoint by John Cherrington

Surplus problems keep growing

I MAKE no apology for returning to the question of food surpluses once again. I have just driven to Scotland and all along the road the grain crops looked very good and the grass was growing well. Fine crops for silage were being cut and there appeared to be an abundance of lambs. It all looked set for another record production year, certainly better than last year at the same time.

A reader has just suggested that the ideal solution would be a tax on nitrogen on a Community basis. The idea being that as a great deal of production is due to the use of this fertiliser, a sizable increase in cost would deter farmers from its excessive use and so the mountains of food would gradually cease being added to, and their costs would be met by proceeds from the tax.

This suggestion has been made before several times, but is an unlikely starter. Most farmers, even quite small ones, do rely on nitrogen for their basic production these days.

New Zealand, and similar agricultural exporting countries would, of course, like to see such a ban brought into effect in the EEC, their main competitor. New Zealand farmers also rely on nitrogen, but theirs is induced by a combination of clover—whose growth is stimulated by the use of phosphates — and the higher intensity of sunlight in their country. In the same way much of Australian grain receives its nitrogen through the use of other legumes and clovers in the rotation.

As recently as 50 years ago very little nitrogen was used in British farming, except what was present in the soil or provided by clovers and other rotational systems. The provision of ample nitrogen by present processes removes the need for this by presenting farmers with the finished product in bags at a reasonable price.

I have always thought that in our climate inorganic nitrogen works earlier in the growing season than that provided by clovers or which occurrs normally in the soil as part of a general break down of crop residues. Fifty years ago for instance, my early grass began to grow in late April. Now stimulated by nitrogen the grass will grow as soon as ground temperatures rise to about 45 deg F.

It is quite possible that the availability of plentiful nitrogen has made some farmers careless in its use, just as they were in the provision of compound feed for their cows. Since milk import quotas came in a year ago they have been much more careful in the amounts fed and have been finding that their margins over compound cost have actually improved. There are also other systems of providing fertility. For instance many farmers don't make the fullest use of the dung produced by their livestock; much of it is allowed to leach away.

A tax on nitrogen would weigh heavily on those who are farming (and of inherently low fertility). At present they can get almost as good results as those farming the best land, thanks to the provision of cheap nitrogen. In the numbers game which passes for democracy in the EEC, the poor land farmers, often the smallest in scale of operation, would react, probably violently, against any scheme which seemed to work unfairly against their vital interests.

Unctad shake-up imminent

BY WILLIAM DULLFORCE IN GENEVA

A SHAKE-UP of senior staff at the Geneva headquarters of the United Nations Conference on Trade and Development (Unctad) is imminent, Mr Alister McIntyre, the acting secretary general, has confirmed.

The organisation, the main purpose of which is to contribute to the economic development of the third world, has recently been severely criticised by the U.S. and other developed countries for inefficiency and political bias.

It has also been without a secretary general since the beginning of the year. Mr Gmani Corea, who had become a controversial figure after 10 years at the helm of the organisation, resigned last year.

Mr McIntyre, the deputy secretary general who has been in charge of Unctad since January 1, denied that the staff changes, which are expected to be announced this week, were related to criticism from Washington.

They would involve the "re-assignment" of more than 30 staff in response to new needs which had appeared at a crucial stage in the organisation's life, he said.

A new secretary general is expected to be appointed in the autumn.

Unctad's trade and development board will consider a report from an independent group of experts this week, recommending that a new financial facility be established to provide compensation for shortfalls in the exporting earnings of developing countries.

Quality teas stay at 205p

By Our Commodities Staff

TEA PRICES showed little change at the London weekly auction yesterday. Indicative prices for quality teas were the same as last week at 205p a kilo nominal; medium and low medium were also unchanged at 160p and 118p respectively. The London Tea Brokers Association reported that 29,290 packages were offered, including 6,360 in the offshore section.

The few end of season North Indian teas on offer met selective inquiry and tended lower. Best and good medium East Africans again came in for keen competition and often put on 5p to 10p.

Ceylons met improved demand with brighter teas firm to dearer.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	824-7	−4.0	825/825.5
3 months	849.5-5	−2.75	860/845

Official closing (am): Cash 825.5 (826.5-7): three months 847-.5 (848-9): settlement 825.5 (827) Final Kerb Close: 850-51. Turnover: 31,575 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/Low
Cash	1123-4	+10.0	1125.5/1116
Three m'nths	1143-.5	+13.5	1151/1139

Official closing (am): Cash 1118.5-7 (1120.5-1); three months 1135.5-6 (1137-8): settlement 117 (1121). Final Kerb Close: 1142-3.

Cathodes			
Cash	1115-7	+13.5	1110/1110
Three m'nths	1127-9	+14.5	1125/1123

Official closing (am): Cash 1112-3 (1124-6): three months 1124-5 (1135-7); settlement 1113 (1109). Turnover: 28,875 tonnes. U.S. Producer prices 66.00-70.00 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	300-.5	+1.75	—
3 months	303-.5	+1.5	305/301

Official closing (am): Cash 300-1 (295.5-6): three months 301.5-2 (298.5-9); settlement 301 (296). Final Kerb Close: 302-2.5 Turnover: 4,350 tonnes. U.S. Spot: 19.00-21.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	£4400-10	+42.5	4450/4430
3 months	£4380-90	+37.5	4410/4370

Official closing (am): Cash 4425-30 (4355-60): three months 4405-10 (4335-40): settlement 4430 (4360). Final Kerb Close: 4400-10. Turnover: 1,086 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low for day
Cash	£9650-5	+50	9680/9680
3 months	£9540-50	+17.5	—

Official closing (am): Cash 9645-50 (9565-70): three months 9550-60 (9505-15); settlement 9650 (9570).

Standard			
Cash	9649-51	+47	9660/9645
3 months	9540-5	+15	9565/9550

Official closing (am): Cash 9645-50 (9560-5): three months 9550-1 (9505-10): settlement 9650 (9565) Final Kerb Close: 9560-5. Turnover: 1,470 tonnes. Straits tin $m29.22 (29.29) kilo.

ZINC

	Official close (p.m.) £ per tonne	+ or −	High/low
Cash	582-3	−0.5	—
3 months	592-3	−2.0	595/588

Official closing (am): Cash 577-9 (583-5): three months 588-9 (595-5): settlement 579 (585) Final Kerb Close: 593-95. Turnover: 12,100 tonnes. U.S. Prime Western: 45.50-47.50 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	June 10 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1070/108	−10	$1145/175
Copper			
Cash h Grade	£1123.5	+10	£1221.0
3 mths	£1143.25	+13.5	£1207.7
Gold troy oz	$315.25	−0.25	$327.0
Lead Cash	£300.25	+1.75	£298.0
3 mths	£302.25	+1.5	£300.25
Nickel			
Free Mkt	250/280c	......	245/278c
Palladium oz	$96.75	−0.85	$114.40
Platinum oz	$262.75	−1.75	$284.75
Quicksilver†	$280/290	......	$280/290
Silver troy oz	482.10p	+2.85	515.80p
3 mths	496.90p	+3.65	530.90p
Tin cash	£9650	+47	£9415
3 mths	£9542.5	+15	£9402.5
Tungsten	$75.39	......	$74.38
Wolfram 22.04lb	$58/62	......	$68/71
Zinc	£582.5	−0.5	£665
3 mths	£592.5	−2.0	£664.5
Producers	$960	......	$960

	June 10 1985	+ or −	Month ago
OILS			
Coconut (Phil)	$610x	......	$720
Palm Malayan	$560y	......	$630
SEEDS			
Copra Phil	$390y	+10	$430
Soyabean (U.S.)	$240.75w	+4.25	$242.25
GRAINS			
Barley Fut. Sep	£98.35	+0.10	£99.20
Maize	£147.50	......	£150.00
Wheat Fut. Sept	£98.80	+0.85	£122.70
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1773	+6.5	£1842.5
Coffee Ft. Sept.	£2122	−4.5	£2105.5
Cotton A Index	63.25c	−0.05	66.40c
Gas Oil July	$210.5	......	$217.0
Rubber (kilo)	64p	......	64p
Sugar (raw)	$82.5	−1.0	$88
Wooltops 64s	457pkilo	−3	486pkilo

‡ Unquoted. x May-June. v June-July. w Sept. y July. † Per 76-lb flask. c Cents per pound.

GOLD

Gold fell $2¾ an ounce from Friday's close in the London bullion market yesterday to finish at $312-312½. The metal opened at $312½-313 and traded between a high of $312¾-313¾ and a low of $309¾-310¼. A steadier trend developed in the afternoon with the dollar retreating from the day's highs. The dollar's firmer trend earlier in the day had pushed the metal to the day's lows.

GOLD BULLION (fine ounce) June 10

Close	$312-312½	(£247½-248)
Opening	$312½-313	(£248-248½)
M'n'g fix.	$310.75	(£246.275)
Aft'n'n fix.	$312.00	(£247.580)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$317-317½	(£251¼-251½)
½ Krug.	$166-166¾	(£131½-132¼)
¼ Krug.	$84¼-85	(£66¾-67¼)
1/10 Krug.	$34-34½	(£27-27½)
Mapleleaf	$321½-322¼	(£254¾-255¼)
New Sov.	$74¼-75	(£58¾-59½)
½ New Sov	$44½-45¼	(£35¼-36¼)
Old Sov.	$75-76½	(£59½-60¾)
$20 Eagle	$450-490	(£357¾-389¾)
Noble Plat	$272½-275¾	(£216¼-219)

SILVER

Silver was fixed 2.85p an ounce higher for spot delivery in the London bullion market yesterday at 482.1p. U.S. cent equivalents of the fixing levels were: spot 608.4c, down 1.9c; three-month 619.9c, down 1.25c; six-month 632.25c, down 1c; and 12-month 658.65c, down 0.25c. The metal opened at 482¾-485½ (608-611c) and closed at 483½-486½p (610-613c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	482.10p	+2.85	495.2p	+0.5
3 months	496.90p	+3.65	497.5p	+0.25
6 months	511.50p	+3.85	—	—
12 months	539.15p	+4.56	—	—

LME—Turnover: 46 (8) lots of 10,000 ounces.

Three months high 498, low 496. Final Kerb 497-8.

FREIGHT FUTURES

Short covering in the morning session on Biffex took levels higher. However, the afternoon session lacked activity, and closing quotations were just off the day's highs, reports Clarkson Wolff. The Baltic Freight index was 926.0, down 4.5.

	Close	High/Low	Prev.
July	884/886	—	884/888
Oct.	915/916	917/914	912/915
Jan.	970/1000	916/915	910/912
April	910/925	—	970/980
July	965/980	—	900/935
Oct.	970/995	980/980	970/1010
Jan.	970/1020	—	980/1020
April	1060/1130	—	1075/1110

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
July	118.25	+1.05	—	—
Sept.	98.80	+0.55	98.35	+0.10
Nov	102.20	+0.50	102.00	+0.10
Jan	105.90	+0.35	105.65	+0.10
Mar	109.50	+0.40	108.70	+0.10
May	112.75	+0.35	111.50	+0.10

Business done—Wheat: July 118.30-7.50. Sept 98.65-8.60. Nov 102.20-2.00. Jan untraded. March 109.30 only. May 112.75-2.45. Sales: 106 lots of 100 tonnes. Barley: Sept and Nov untraded. Jan 105.55 only. March untraded. May 111.50-1.40. Sales: 11 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: E. Midlands 112.30. Scotland 111.00. The UK monetary coefficient for the week beginning Monday June 17 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

New crops were steadier all round again in dull trading conditions, reports Muirpace.

COFFEE

Near freezing temperatures in Brazil's coffee belt over the weekend produced no apparent crop damage and this reduced opening gains, reports Drexel Burnham Lambert. Nevertheless continued fears concerning the Brazilian weather restrained the downward trend.

COFFEE	Yesterd'ys Close	+ or −	Business Done
July	2070-75	−20.5	2130-065
Sept.	2121-23	−4.5	2160-05
Nov.	2155-58	−1.0	2194-40
Jan	2183-89	+8.0	2220-180
March	2180-85	+12.5	2200-180
May	2170-85	+2.5	—
July	2160-80	—	—

Sales: 4,065 (4,868) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 7: Comp. daily 1979 133.89 (130.74): 15-day average 131.77 (131.64).

COCOA

Futures opened on a quiet note which set the tone for an extremely dull day and a trading range. If anything physical was even less exciting, and volume of trade was minimal, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1783-1784	+9.0	1785-1775
Sept.	1772-1774	+6.5	1776-1766
Dec.	1748-1749	+6.0	1751-1743
Mar.	1758-1759	+6.5	1760-1746
May	1769-1774	+6.5	1770-1768
July	1770-1784	−0.5	—
Sept	1766-1805	+0.5	—

Sales: 1,567 (2,488) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 7: 96.08 (96.26): five-day average for June 10: 95.76 (95.72).

INDICES

FINANCIAL TIMES

June 7	June 6	M'th ago	Year ago
283.42	283.10	296.90	306.78

(Base: July 1 1952 = 100)

REUTERS

June 10	June 7	M'th ago	Year ago
1774.7	1769.9	—	1955.2

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 6	June 5	Month ago	Year ago
Spot	117.78	117.47	—	140.63
Fut.	120.81	120.21	—	140.51

(Base: December 31 1974 = 100)

SUGAR

LONDON DAILY PRICE—Raw sugar $82.50 (£65.50), down $1.00 (same) a tonne for June-July delivery. White sugar $134.50, down $1.00.

Prices were immediately offered down and losses of around $1 were recorded. However, all these losses were recovered, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	89.0-89.2	89.5-89.0	88.0-89.2
Oct	90.8-91.0	91.4-91.6	90.8-91.0
Dec	96.8-97.8	97.0-98.0	97.0
Mar	108.4-109.0	110.2-110.4	110.0-111.0
May	113.0-113.6	115.0-115.2	115.0
Aug	120.0-120.4	121.6-122.0	121.6
Oct	125.0-125.4	121.6-127.0	125.0

Sales: 1,326 (1,925) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £167.0 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 7: Daily price 2.71 (2.66); 15-day average 2.79 (2.79).

SOYABEAN MEAL

The market opened £2 higher on Commission House buying, reports T. G. Roddick. Prices remained firm before late profit-taking eased values to close £1 higher.

	Yesterday close	+ or −	Business Done
	£ per tonne		
June	114.5-116.5	+3.0	—
August	114.0-114.5	+2.0	115.0-114.0
October	116.0-116.2	+0.95	117.1-116.0
Dec.	121.9-122.3	+0.5	123.0-121.8
Feb	127.5-127.8	+1.0	128.5-127.5
Apr	128.5-129.1	+1.3	129.1
June	128.8-129.1	+0.9	129.1

Sales: 358 (84) lots of 20 tonnes.

OIL

Crude weakness was particularly evident in forward months. August Brent fell 25-35c compared with July's 15c. By 1 pm EST Nymex traded 14c down for July but 20-23c lower for less prompt oil. In the petroleum products market prompt gasoil prices remained stable due to some short covering demand. High sulphur fuel prices remained weak despite strong demand for barges and bunkering in Belgium, the Netherlands and Luxembourg—Petroleum Argus London.

RUBBER

opened steadier with little follow-through on the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers): spot 64.00p (same): July 67.00p (same): August 67.25p (same). The Kuala Lumpur fob price for RSS No. 1 was 196.25 (196.50) cents a kg and for SMR 20 177.0 (176.5).

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	26.40-26.45	−0.05
Arab Heavy	24.95-25.05	−0.05
Dubai	25.00-25.05	−0.175
Brent Blend	25.80-25.90	−0.15
W.T.I. (1pm est)	26.70-26.75	−0.125
Forcados (Nigeria)	26.10-26.30*	−0.2
Urals (cif NWE)	25.40-25.60*	−0.15
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	282-284	−2
Gas Oil	211-212	−1.5
Heavy fuel oil	126-128	−1.0

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
June	210.75	+0.75	211.50-10.25
July	210.50	—	211.25-08.75
Aug	210.00	−1.00	212.00-10.00
Sep	211.75	−0.50	215.75-11.75
Oct	215.00	−0.75	216.00-15.00
Nov	219.00	+1.50	—
Dec	221.00	—	—

Turnover: 1,888 (2,068) lots of 100 tonnes.

POTATOES

Futures broke into new low ground today, registering losses of over £2 basis April, before slight recovery towards close. The tone however still remains weak, and although profit-taking may cause brief rallies, the trend still appears down, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	60.10	61.30	60.90-59.50
Feb	68.30	69.60	68.00
Apr	79.00	80.60	80.50-78.50
May	84.80	85.70	85.80-84.40

Sales: 368 (223) lots of 40 tonnes.

PIGMEAT

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug.	100.60	100.60	100.60-100.50
Oct.	105.80	105.70	—
Nov.	105.90	105.70	—
Feb.	99.20	98.80	99.20-99.00
April	99.30	98.00	99.00
June	97.00	96.40	97.00

Sales: 20 (15) lots of 50 carcases, 3,250 kg.

MEAT

Meat Commission average fatstock prices at representative markets: GB—Cattle 99.21p per kg lw (−0.59). GB—Sheep 190.20p per kg est dcw (−11.80). GB—Pigs 79.96p per kg lw (+0.56).

SMITHFIELD — (pence per pound): Beef: Scotch killed sides 98.0 to 91.0. English hindquarters 94.0 to 97.0, forequarters 50.0 to 56.0. Veal: Dutch hinds and ends 139.0 to 146.0. Lamb: English small 80.0 to 88.0, medium 80.0 to 84.0, heavy 78.0 to 80.0; Imported: New Zealand PL 65.0 to 66.5. Pork: English under 100 lb 49.0 to 58.0, 100-120 lb 50.5 to 54.5, 120-160 lb 42.5 to 46.0.

Lower Indian cotton crop forecast

INDIA'S 1985-86 (August-July) cotton crop is forecast at 1.462m tonnes, down from 1.513m estimated for the 1984-85 season, the U.S. Agriculture Department's Counselor in New Delhi said in a field report.

The report, dated May 31, said exports in 1985-86 are projected at 34,000 tonnes compared with 42,500 tonnes estimated for the current season. Reuter

U.S. MARKETS

SOYABEANS and maize reacted to the weekend rains with strong profit taking, reports Heinold Commodities. Last week's rally attracted more redemptions from Government programmes and outright sales by producers putting more presure on old-crop futures. Wheat closed nominally higher as forecast of additional moisture indicated further harvest delays. Precious metals attracted light selling on weakness to oil prices and a steady $, but the markets found technical support and remained in a narrow range. Copper and aluminium weakened in reaction to $ movements and also in sympathy with precious metals. After achieving new contract lows on weak cash sales, sugar uncovered light support. Cocoa lost ground initially on $ strength but remained in a narrow range as manufacturer buying interest checked declines. Coffee was lower on disappointed long liquidation when freeze damage in Brazil failed to materialise. Cotton traded featureless as the market lacked fresh fundamental future. Heating oil continued its decline on pessimism over OPEC's pricing structure particularly since a Japanese customer of Abu Dhabi confirmed its report price cuts.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter July 138.50, Aug 141, Sept 145, Oct 146.50 sellers. U.S. two northern spring 14 per cent protein Spot 177, June 168.50, July 165, Aug 160, Sept 160, Oct 162.50, Nov 165, Dec 168 sellers. U.S. northern spring 15 per cent protein June 179.50, July 175.50, Aug 170.50, Sept 170.50, Oct 173, Nov 175 sellers. U.S. three hard amber durum June 172, July 171, Aug 168, Sept 161, Oct 167, Nov 170 sellers. Canadian one western amber durum Spot 190, June 179, June/July 180, July 178, Aug 177, Sept 176 sellers.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	45.50	—	—	45.80
July	45.75	45.96	45.65	46.10
August	46.05	—	—	46.40
Sept	46.45	46.60	46.20	46.75
Dec	47.50	—	—	47.80
Jan	47.85	—	—	48.15
March	48.55	—	—	48.85
May	49.25	—	—	49.55
July	49.95	—	—	50.25
Sept	50.65	—	—	50.95

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	147.03	147.15	145.65	149.02
Sept	148.08	148.20	146.50	148.82
Dec	147.87	148.20	146.60	148.82
March	146.92	147.00	145.50	147.95
May	145.55	—	—	146.88
July	143.75	145.00	145.00	145.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	60.20	—	—	60.40
July	60.50	60.55	59.90	60.70
August	60.95	—	—	61.15
Sept	61.40	61.40	60.70	61.60
Dec	62.40	62.40	61.75	62.55
Jan	62.65	—	—	62.80
March	63.10	63.00	62.75	63.30
May	63.55	63.25	63.15	63.75
July	64.00	63.95	63.80	64.20
Sept	64.45	—	—	64.65

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	314.1	314.5	309.8	314.4
July	315.7	—	—	316.0
August	317.2	317.5	312.5	317.7
Oct	320.8	320.5	316.3	321.4
Dec	324.8	325.3	320.5	325.4
Feb	329.0	329.0	324.8	329.6
April	333.2	332.3	331.2	333.9
June	337.8	332.7	332.7	338.6
August	342.6	340.0	340.0	343.4
Oct	347.6	—	—	348.3
Dec	352.6	348.5	348.5	353.4
Feb	358.1	354.5	354.5	358.9
April	363.7	362.1	362.1	364.6

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	144.90	146.40	144.50	144.30
Sept	142.00	143.00	141.60	141.55
Nov	140.50	141.00	140.25	140.00
Jan	139.95	140.10	140.10	139.70
March	139.95	140.00	139.50	139.60
May	139.95	—	—	139.60
July	139.95	—	—	139.60
Sept	139.95	—	—	139.60
Nov	139.85	—	—	139.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	262.7	261.0	261.0	264.2
July	263.7	263.9	257.5	265.2
Oct	268.3	268.5	263.0	269.8
Jan	273.3	272.0	267.5	274.8
April	278.3	276.0	275.5	279.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	615.0	612.0	612.0	613.3
July	617.5	619.0	609.0	616.0
August	621.2	—	—	619.7
Sept	625.4	627.0	617.3	623.8
Dec	637.5	638.0	629.0	635.8
Jan	642.0	638.0	638.0	640.3
March	650.2	649.5	644.5	649.5
May	659.2	—	—	657.5
July	668.8	—	—	667.1
Sept	679.0	—	—	677.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.77	2.82	2.75	2.79
Sept	2.87	2.95	2.85	2.90
Oct	2.99	3.03	2.94	3.01
Jan	3.40	3.46	3.46	3.46
March	3.77	3.89	3.78	3.87
May	4.02	4.10	4.00	4.07
July	4.25	4.33	4.22	4.32
Sept	4.39	—	—	4.47
Oct	4.56	4.59	4.53	4.63

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	60.67	61.47	60.62	61.27
August	62.57	63.75	62.55	63.56
Oct	62.75	63.55	62.70	63.30
Dec	63.67	64.37	63.65	64.22
Feb	64.15	64.75	64.00	64.57
April	65.35	65.75	65.00	65.56
June	65.60	66.05	65.50	65.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	48.10	48.40	47.80	47.62
July	50.75	51.12	50.52	50.70
August	50.45	50.90	50.17	50.45
Oct	47.32	47.57	47.15	47.25
Dec	48.50	48.85	48.25	48.40
Feb	49.35	49.80	49.30	49.40
April	45.90	46.15	45.72	45.40
June	48.30	48.60	48.30	48.40
July	49.30	49.30	49.20	49.15

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	68.70	70.07	67.95	69.27
August	67.92	69.10	67.35	68.45
Feb	73.22	74.65	72.85	74.12
March	72.90	74.50	72.90	74.00
May	74.00	74.20	73.85	74.80
July	74.40	74.40	74.40	75.00

SPOT PRICES—Chicago loose lard 16.25 (16.00) cents per pound. New York tin 554.0-558.0 (556.0-559.0) cents per pound. Handy and Harman silver bullion 613.5 (same) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar strength continues

The dollar improved quite sharply in currency markets yesterday in generally quiet trading. Much of the dollar demand was based on Friday's U.S. employment figures with an unchanged figure failing to satisfy the market's search for further signs that the U.S. economy was slowing. In the absence of any fresh economic data, speculators tended to focus on the overnight Federal funds rate and the authorities' failure to add reserves only fuelled speculation that the Fed's monetary stance was unlikely to be loosened.

In addition Friday's figures dashed hopes of an early cut in the U.S. discount rate. To base such a lot on one set of figures tended to highlight the general lack of inspiration in the market, with the dollar tending to lurch from one set of figures to the next without displaying any underlying long term trend.

Against the D-mark it touched a best level of DM 3.1080 but came back to close at DM 3.1020, up from DM 3.08 on Friday. Elsewhere it rose to Y250.45 from Y249.50 and SwFr 2.6120 compared with SwFr 2.5975. Against the French franc it rose to FFr 9.4525 from FFr 9.39. On Bank of England figures, the dollar's exchange rate index rose from 145.6 to 146.3.

STERLING—Trading range against the dollar in 1985 is 1.2940 to 1.0525. May average 1.2517. Exchange rate index 79.2 against 79.3 on Friday. The six months ago figure was 74.8.

Sterling failed to show any attempt to move much outside its recent trading range with the lure of high UK interest rates apparently sufficient to offset any fears about oil prices. In fact the two now appear to be very strongly linked with the authorities unlikely to test sterling's ability to cope with the prospect of lower oil prices and lower interest rates. The prospect of the latter also received a setback in the absence of any move by the U.S. to cut the discount rate.

The pound finished at $1.2570-$1.2580, a fall of 1.05c from Friday. It was also lower against the D-mark at DM 3.90 from DM 3.91 and SwFr 3.2850 compared with SwFr 3.2875. Against the French franc it slipped to FFr 11.8850 from FFr 11.8950 and Y315.0 from Y316.50.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 121.4 against 120.7 six months ago.

The dollar closed at DM 3.1020 against the D-mark in Frankfurt after an earlier fixing level of DM 3.0972. Friday's fixing level was DM 3.0615. The U.S. unit met resistance around DM 31075 and drifted off the day's highs.

STERLING INDEX

	June 10	Previous
8.30 am	79.2	79.4
9.00 am	79.4	79.4
10.00 am	79.3	79.4
11.00 am	79.3	79.4
Noon	79.3	79.5
1.00 pm	79.3	79.5
2.00 pm	79.3	79.5
3.00 pm	79.2	79.5
4.00 pm	79.2	79.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2180	+0.71	+0.72	±1.5471
Danish krone	8.14104	8.05019	−1.12	−1.11	±1.6419
German D-mark	2.24184	2.24422	+0.11	+0.12	±1.1475
French franc	6.87456	6.84071	−0.49	−0.48	±1.3689
Dutch guilder	2.52596	2.52861	+0.11	+0.12	±1.5171
Irish punt	0.72569	0.716868	−1.22	−1.21	±1.6673
Italian lira	1403.49	1429.92	+1.88	+1.88	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 10	Prev. close
£ Spot	$1.2585-2605	$1.2700-1.2715
1 month	0.52-0.49 pm	0.53-0.51 pm
3 months	1.46-1.42 pm	1.51-1.48 pm
12 months	4.05-3.90 pm	4.17-4.10 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2550-1.2640	1.2570-1.2580	0.53-0.50c pm	4.91	1.50-1.45 pm	4.69
Canada	1.7250-1.7366	1.7250-1.7300	0.43-0.34c pm	2.67	1.26-1.12 pm	2.76
Nethlnd.	4.38½-4.41	4.39-4.40	2¼-1⅞c pm	5.63	6½-6 pm	5.63
Belgium	78.39-78.90	78.55-78.65	29-23c pm	3.97	78-69 pm	3.74
Denmark	13.98-14.03	13.98-13.99	3½-2½ore pm	2.88	10½-9 pm	2.74
Ireland	1.2469-1.2499	1.2469-1.2478	0.14p pm-0.03dis	−0.53	.38pm-.05d	−0.53
W. Ger.	3.89¾-3.91¼	3.89½-3.90½	2⅜-2¼pf pm	6.92	6⅞-6½pm	6.88
Portugal	220-224¼	220-224	85-415c dis	−13.78	295-1180dis	−13.29
Spain	221-222	221-221½	30-55c dis	−2.31	120-170dis	−2.62
Italy	2,476¼-2,494½	2,480½-2,481½	1-3lire dis	−0.97	6-8dis	−1.21
Norway	11.15¾-11.25½	11.17½-11.18½	½ore pm-par	0.40	½pm-½dis	−0.16
France	11.84½-11.93	11.88-11.89	2½-2⅛c pm	2.46	6¼-5¾pm	2.08
Sweden	11.21½-11.29¼	11.23½-11.24½	2⅞-3½ore dis	−3.40	9⅞-10½dis	−3.65
Japan	314¼-316	314½-315½	1.73-1.63y pm	6.40	4.95-4.80pm	6.19
Austria	27.35-27.51	27.35-27.41	14⅞-13¼gro pm	6.16	41⅞-37⅞pm	5.82
Switz.	3.27½-3.29½	3.28-3.29	2¼-1⅞c pm	7.53	6⅛-5¾pm	7.23

Belgian rate is for convertible francs. Financial franc 78.05-78.15. Six-month forward dollar 2.63-2.58c pm. 12-month 4.13-3.98c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2550-1.2640	1.2570-1.2580	0.53-0.50c pm	4.91	1.50-1.45 pm	4.69
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.05-62.15.

OTHER CURRENCIES

June 10	£	$		£ Note Rates
Argentina Peso	809.60-811.00	648.13-648.75	Austria	27.35-27.65
Australia Dollar	1.9005-1.9046	1.5110-1.5136	Belgium	78.80-79.60
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
HongKong Dollar	9.7890-9.7990	7.7695-7.7715	Italy	2470-2505
Iran Rial	117.50*	92.30*	Japan	315-319
KuwaitDinar(KD)	0.3820-0.3824	0.30330-0.30345	Netherlands	4.38½-4.42½
Luxembourg Fr	78.55-78.65	62.50-62.60	Norway	11.17-11.28
Malaysia Dollar	3.1100-3.1150	2.4685-2.4705	Portugal	214-230
New Zealand Dlr.	2.8000-2.8080	2.2255-2.2305	Spain	214-225
Saudi Arab Riyal	4.5959-4.6008	3.6490-3.6500	Sweden	11.23-11.34
Singapore Dollar	2.8035-2.8085	2.2265-2.2285	Switzerland	3.27½-3.30½
Sth African Rand	2.5155-2.5255	2.0020-2.0060	United States	1.25¼-1.27¼
U.A.E. Dirham	4.6248-4.6298	3.6720-3.6730	Yugoslavia	335-355

* Selling rate.

CURRENCY MOVEMENTS

June 10	Bank of England Index	Morgan Guaranty Change %
Sterling	79.2	[illegible]
U.S. dollar	146.3	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	88.9	−11.2
Danish Kroner	77.2	−8.7
Deutsche mark	121.4	+6.5
Swiss franc	138.7	+7.1
Guilder	112.0	+2.9
French franc	64.7	−15.6
Lira	45.5	−16.8
Yen	155.7	+12.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.787027	0.574346
U.S. $	7½	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	7	[illegible]	8.05019
Dmark	[illegible]	[illegible]	2.24422
Guilder	5½	3.46506	2.52861
French Fr	9½	9.37262	6.84071
Lira	15½	1959.66	1429.92
Yen	5	247.883	181.397
Norway Kr.	8	8.84373	6.44625
Span'h Pta.	—	174.620	127.583
Swedish K.	11.5	8.87550	6.47851
Swiss Fr.	4	2.58758	1.88942
Greek Dr'ch	20½	135.88	99.0938
Irish Punt	15¾	0.961003	0.716868

* CS/SDR rate for June 7: 1.36683.

EXCHANGE CROSS RATES

June 10	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.258	3.900	315.0	11.89	3.285	4.396	2481.	1.738	78.60
U.S. Dollar	0.795	1.	3.102	250.5	9.455	2.612	3.495	1973.	1.674	62.55
Deutschemark	0.256	0.322	1.	80.77	3.047	0.842	1.127	636.0	0.443	20.15
Japanese Yen 1,000	3.175	3.992	12.38	1000.	37.73	10.43	13.95	7875.	5.484	249.5
French Franc 10	0.841	1.058	3.281	265.0	10.	2.764	3.698	2088.	1.454	66.13
Swiss Franc	0.304	0.383	1.187	95.89	3.618	1.	1.338	755.3	0.529	23.93
Dutch Guilder	0.228	0.286	0.887	71.67	2.704	0.747	1.	564.5	0.393	17.88
Italian Lira 1000	0.403	0.507	1.572	127.0	4.790	1.324	1.771	1000.	0.696	31.68
Canadian Dollar	0.579	0.728	2.258	182.3	6.880	1.902	2.544	1436	1.	45.50
Belgian Franc 100	1.272	1.600	4.962	400.8	15.12	4.179	5.592	3156.	2.198	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅝-12⅞	7¾-7⅞	9⅞-10⅛	7⅛-7¼	2¼-2½	5½-5⅝	10⅛-10¼	13¼-14¼	8¾-9	8¾-9⅛	[illegible]	10½-11
7 days' notice	12⅝-12⅞	7⅝-7¾	9⅞-10⅛	7⅛-7⅝	2¼-2½	5½-5⅝	10⅛-10¼	13¼-14¼	8¾-9	8¾-9⅛	[illegible]	10-10½
Month	12⅝-12¾	7⅝-7¾	9⅝-9⅞	6⅞-7	5⅛-5⅜	5½-5⅝	10⅛-10¼	13⅜-13⅞	8¾-9	8¾-9⅛	[illegible]	9⅞-10⅜
Three months	[illegible]	[illegible]	9⅝-9¾	6¾-6⅞	5⅛-5¼	5⅛-5⅜	[illegible]	13⅝-13⅞	8⅞-9⅛	8⅞-9⅛	6¼-6⅜	9¾-10¼
Six months	[illegible]	7⅞-8	9⅝-9¾	[illegible]	[illegible]	[illegible]	[illegible]	13⅜-13¾	8⅞-9⅛	8⅞-9⅛	[illegible]	9¼-9¾
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term [illegible] per cent; seven days [illegible] per cent; one month [illegible] per cent; three months [illegible] per cent; six months 7⅞-8 per cent; one year 8⅝-8⅞ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Eurodollars ease

Eurodollar prices were lower in the London International Financial Futures Exchange yesterday in the absence of a cut in the U.S. discount rate. Friday's U.S. unemployment figures tended to cast doubts on the authorities' need to ease its credit policies and with a corresponding upward correction in cash rates, prices were marked down in the futures market.

However values recovered from the day's lows, having found renewed support. This was based on the market's supposition that a reduction in the U.S. discount rate was likely to be postponed rather than cancelled. Against this background and in the absence of any fresh economic data before Thursday, the market tended to switch attention to the overnight Federal funds rate but once again found little inspiration as funds opened within the recent trading range.

Sterling-based instruments tended to mirror the performance of the pound although three-month sterling deposits were more affected by developments in U.S. interest rates. The September contract closed at 88.27 down from an opening of 88.30 and Friday's close of 88.39 while the long gilt for September delivery finished at 110-05 unchanged from the opening but still down from 110-10 on Friday.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	92.19	92.20	92.12	92.33
Sept	91.83	91.85	91.78	91.90
Dec	91.36	91.37	91.32	91.43
March	90.94	90.96	90.90	91.03
June	90.60	90.59	90.58	90.72

Est volume 4,415 (5,011)
Previous day's open int 19,497 (19,729)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.40	[illegible]	[illegible]	[illegible]
Sept	88.27	88.30	[illegible]	88.39
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 1,647 (1,071)
Previous day's open int 7,367 (7,651)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	110-05	[illegible]	[illegible]	110-10
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 1,362 (1,372)
Previous day's open int 3,923 (2,774)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −10 to per (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2605	1.2622	1.2590	1.2680
Sept	1.2460	1.2475	1.2428	1.2540
Dec	1.2340	—	—	1.2420

Est volume 200 (32)
Previous day's open int 5,886 (5,366)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3227	0.3227	0.3225	0.3246
Sept	0.3246	0.3246	0.3236	0.3262
Dec	0.3265	—	—	0.3282

Est volume 35 (43)
Previous day's open int 235 (252)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3832	—	—	0.3859
Sept	0.3857	—	—	0.3884

Est volume nil (22)
Previous day's open int 179 (188)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3996	—	—	0.4010
Sept	0.4009	—	—	0.4034

Est volume nil (13)
Previous day's open int 149 (257)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	129.35	130.90	129.10	130.86
Sept	129.80	131.15	129.55	131.40

Est volume 610 (185)
Previous day's open int 1,664 (1,581)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	77-28	78-00	77-19	78-03
Sept	76-26	77-04	76-16	77-06
Dec	75-27	76-04	76-04	73-09

Est volume 2,591 (2,375)
Previous day's open int 2,181 (1,883)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	77-21
Sept	[illegible]	[illegible]	[illegible]	76-23
Dec	[illegible]	[illegible]	[illegible]	75-23
March	[illegible]	[illegible]	[illegible]	74-25
June	[illegible]	[illegible]	[illegible]	73-28
Sept	[illegible]	[illegible]	[illegible]	73-01
Dec	[illegible]	[illegible]	[illegible]	72-07
March	—	—	—	71-14
June	—	—	—	70-22
Sept	—	—	—	—
Dec	—	—	—	69-10

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	72-73
Sept	[illegible]	[illegible]	[illegible]	92.40
Dec	[illegible]	[illegible]	[illegible]	92.06
March	[illegible]	[illegible]	[illegible]	91.77
June	[illegible]	[illegible]	[illegible]	91.52
Sept	—	—	—	91.13
Dec	—	—	—	91.11
March	—	—	—	90.93

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	92.53
Sept	[illegible]	[illegible]	[illegible]	92.10
Dec	[illegible]	[illegible]	[illegible]	91.60
March	[illegible]	[illegible]	[illegible]	91.18

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	92.23
Sept	[illegible]	[illegible]	[illegible]	91.77
Dec	[illegible]	[illegible]	[illegible]	91.27
March	[illegible]	[illegible]	[illegible]	90.84
June	[illegible]	[illegible]	[illegible]	90.48
Sept	[illegible]	[illegible]	[illegible]	90.18
Dec	[illegible]	[illegible]	[illegible]	89.88
March	[illegible]	[illegible]	[illegible]	89.60

STERLING (IMM) $ per £

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	1.2695
Sept	[illegible]	[illegible]	[illegible]	1.2555
Dec	[illegible]	[illegible]	[illegible]	1.2440
March	—	—	—	1.2250
June	—	—	—	1.2265
Sept	—	—	—	1.2506

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	75-23
Sept	[illegible]	[illegible]	[illegible]	75-02
Dec	74-15	—	—	74-15
March	—	—	—	—
June	—	—	—	73-15
Sept	—	—	—	73-03

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MONEY MARKETS

UK rates firmer on setback

Interest rates were a little firmer in London yesterday mainly in reaction to Friday's U.S. unemployment figures which postponed the prospect of an early cut in the U.S. discount rate. While hopes of a cut in UK clearing bank base rates remain, the timetable appears to have been set back, possibly until after this month's Opec meeting. Furthermore sterling's ability to cope with further oil price uncertainty could partially compromise any bullish sentiment on interest rates.

UK clearing banks base lending rate *12½-12¾ per cent* since April 19

Three-month interbank money finished at 12½-12⅝ per cent from 12 9/16-12 11/16 per cent while three-month eligible bank bills were little changed at 11 31/32-12 per cent from 12 per cent. Overnight interbank money traded between 12 per cent and 14 per cent.

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £574m and the unwinding of previous sale and repurchase agreements a further £560m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £350m and a fall in the note circulation of £300m. Assistance in the morning totalled £332m and comprised purchases of £43m of eligible bank bills in band 1 (up to 14 days) at 12⅝ per cent, £48m in band 2 (15-33 days) at 12½ per cent, £96m in band 3 (34-63 days) at 12½ per cent and £145m in band 4 (64-91 days) at 12 per cent.

The forecast was later revised to a shortage of around £550m, before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £99m comprising purchases of £20m of eligible bank bills in band 1 at 12⅝ per cent, £72m in band 2 at 12½ per cent and £7m in band 3 at 12½ per cent. Late assistance came to £35m, making a total of £466m.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 10)

Three months U.S. dollars
bid 7 11/16 | offer 7 13/16

Six months U.S. dollars
bid 7 7/8 | offer 8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

June 10	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10 1/16	2⅛-2⅜	7⅛	6.09375	16⅛-15½	8.95	12¾-13
One month	5.50-5.60	10⅛-10¼	4 11/16-5 1/16	7-7⅛	6.28125	16-15⅝	8¾-9	12½-12¾
Two months	5.55-5.70	10⅛-10¼	—	—	—	—	—	12⅝-12⅝
Three months	5.55-5.70	10⅛-10¼	5 1/16-5 5/16	6¾-6⅞	6.28125	15⅛-15½	8⅞-9⅛	12¼-12½
Six months	5.6-5.75	10 3/16-10 5/16	—	6 11/16-6¾	—	—	8⅝-9⅛	12¼-12⅜
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

June 10 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12-14	[illegible]	[illegible]	12-13	—	—	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	—	[illegible]	[illegible]	—	—	—	—	—	—
7 days notice	—	[illegible]	—	—	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	12½-12⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11 31/32-12	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period May 8 to June 4 (inclusive): [illegible] per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-12¾ per cent. London Deposit Rates for sums at seven days' notice [illegible] per cent. Bank Deposit Rates for sums at seven days' notice [illegible] per cent. Treasury Bills: Average tender rate of discount [illegible] per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12¾ per cent; three-six months 12¼ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11¾ per cent from May 14. Deposits held under Series 5 12¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¼-9¾
Fed funds	7¾
Fed funds at intervention	—

Treasury Bills

One month	6.95
Two month	7.05
Three month	7.16
Six month	7.28
One year	7.45

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 10, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.0165
Algeria	Dinar	6.42
Andorra	French Franc	11.8850
	Spanish Peseta	221.25
Angola	Kwanza	38.1420
Antigua	E. Caribbean $	3.41
Argentina	New Peso	[illegible]
Australia	Australian $	[illegible]
Austria	Schilling	[illegible]
Azores	Portug'se Escudo	[illegible]
Bahamas	Ba. Dollar	[illegible]
Bahrain	Dinar	[illegible]
Balearic Isles	Spa. Peseta	[illegible]
Bangladesh	Taka	[illegible]
Barbados	Barbados $	[illegible]
Belgium	B. Franc	[illegible]
Belize	B $	[illegible]
Benin	C.F.A. Franc	[illegible]
Bermuda	Bda $	[illegible]
Bhutan	Ngultrum	[illegible]
Bolivia	Bolivian Peso	[illegible]
Botswana	Pula	[illegible]
Brazil	Cruzeiro	[illegible]
Brit. Virgin Isles	U.S. $	[illegible]
Brunei	Brunei $	[illegible]
Bulgaria	Lev	[illegible]
Burkina Faso	C.F.A. Franc	[illegible]
Burma	Kyat	[illegible]
Burundi	Burundi Franc	[illegible]
Cameroon	C.F.A. Franc	[illegible]
Canada	Canadian $	[illegible]
Canary Islands	Spanish Peseta	[illegible]
Cape Verde Is.	Cape V. Escudo	[illegible]
Cayman Islands	Cay. Is. $	[illegible]
Cent. Afr. Republic	C.F.A. Franc	[illegible]
Chad	C.F.A. Franc	[illegible]
Chile	Chilean Peso	[illegible]
China	Renminbi Yuan	[illegible]
Colombia	C. Peso	[illegible]
Comoros	C.F.A. Franc	[illegible]
Congo (Brazzaville)	C.F.A. Franc	[illegible]
Costa Rica	Colon	[illegible]
Cuba	Cuban Peso	[illegible]
Cyprus	Cyprus £	[illegible]
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Kroner	[illegible]
Djibouti	Djibouti Franc	[illegible]
Dominica	E. Caribbean $	[illegible]
Dominican Repub.	Dominican Peso	[illegible]
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
El Salvador	Colon	[illegible]
Equatorial Guinea	Ekuele	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Falkland Islands	Falkland Is. £	[illegible]
Faroe Islands	Danish Kroner	[illegible]
Fiji Islands	Fiji $	[illegible]
Finland	Markka	[illegible]
France	French Franc	[illegible]
French C'ty in Af.	C.F.A. Franc	[illegible]
French Guiana	Local Franc	[illegible]
French Pacific Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	[illegible]
Gambia	Dalasi	[illegible]
Germany (East)	Ostmark	[illegible]
Germany (West)	Deutsche Mark	[illegible]
Ghana	Cedi	[illegible]
Gibraltar	Gibraltar £	[illegible]
Greece	Drachma	[illegible]

COUNTRY	CURRENCY	VALUE OF £ STERLING
Greenland	Danish Kroner	13.9850
Grenada	E. Caribbean $	3.41
Guadaloupe	Local Franc	11.8850
Guam	U.S. $	1.2575
Guatemala	Quetzal	1.2575
Guinea	Syli	31.36
Guinea-Bissau	Peso	185.86
Guyana	Guyanese $	[illegible]
Haiti	Gourde	[illegible]
Honduras	Lempira	[illegible]
Hong Kong	H.K. $	[illegible]
Hungary	Forint	[illegible]
Iceland	I. Krona	[illegible]
India	Ind. Rupee	[illegible]
Indonesia	Rupiah	[illegible]
Iran	Rial	[illegible]
Iraq	Iraqi Dinar	[illegible]
Irish Republic	Irish £	[illegible]
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	[illegible]
Jamaica	Jamaica Dollar	[illegible]
Japan	Yen	[illegible]
Jordan	Jordanian Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	[illegible]
Kiribati	Australian Dollar	[illegible]
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait	Kuwaiti Dinar	[illegible]
Lao	New Kip	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	Maluti	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Lux Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portuguese Escudo	[illegible]
Malagasy Republic	MG Franc	[illegible]
Malawi	Kwacha	[illegible]
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiyaa	[illegible]
Mali Republic	C.F.A. Franc	[illegible]
Malta	Maltese £	[illegible]
Martinique	Local Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	M. Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru Is.	Australian Dollar	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherland Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. Dollar	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norwegian Krone	[illegible]
Oman Sul'ate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	[illegible]
Panama	Balboa	[illegible]
Papua N. Guinea	Kina	[illegible]
Paraguay	Guarani	[illegible]

COUNTRY	CURRENCY	VALUE OF £ STERLING
Peru	Sol	exc A 15,185.51
Philippines	Philippine Peso	22.51
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.8040
Poland	Zloty	204.65
Portugal	Portuguese Escudo	[illegible]
Puerto Rico	U.S. $	[illegible]
Qatar	Qatari Ryal	[illegible]
Reunion Island	French Franc	[illegible]
Romania	Leu	[illegible]
Rwanda	Rwanda Franc	[illegible]
St. Christopher	E. Caribbean $	[illegible]
St. Helena	St Helena £	[illegible]
St. Lucia	E. Caribbean $	[illegible]
St. Pierre	Local Franc	[illegible]
St. Vincent	E. Caribbean $	[illegible]
Samoa American	U.S. $	[illegible]
San Marino	Italian Lira	[illegible]
Sao Tome & Prin.	Dobra	[illegible]
Saudi Arabia	Saudi Ryal	[illegible]
Senegal	C.F.A. Franc	[illegible]
Seychelles	S. Rupee	[illegible]
Sierra Leone	Leone	[illegible]
Singapore	Singapore $	[illegible]
Solomon Islands	Solomon Is. $	[illegible]
Somali Republic	Somali Shilling	[illegible]
South Africa	Rand	[illegible]
Spain	Peseta	[illegible]
Spanish ports in North Africa	Peseta	[illegible]
Sri Lanka	S. L. Rupee	[illegible]
Sudan Republic	Sudan £	[illegible]
Surinam	S. Guilder	[illegible]
Swaziland	Lilangeni	[illegible]
Sweden	S. Krona	[illegible]
Switzerland	Swiss Franc	[illegible]
Syria	Syrian £	[illegible]
Taiwan	New Taiwan $	[illegible]
Tanzania	Tan. Shilling	[illegible]
Thailand	Baht	[illegible]
Togo Republic	C.F.A. Franc	[illegible]
Tonga Islands	Pa'anga	[illegible]
Trinidad	Trinidad & Tob $	[illegible]
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	[illegible]
Turks & Caicos	U.S. $	[illegible]
Tuvalu	Australian $	[illegible]
Uganda	Uganda Shilling	[illegible]
United States	U.S. Dollar	[illegible]
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	[illegible]
U.S.S.R.	Rouble	[illegible]
Vanuatu	Vatu	[illegible]
Vatican	Italian Lira	[illegible]
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Island U.S.	U.S. Dollar	[illegible]
Western Samoa	Samoan Tala	[illegible]
Yemen (Nth)	Ryal	[illegible]
Yemen (Sth)	S. Yemen Dinar	[illegible]
Yugoslavia	New Y Dinar	[illegible]
Zaire Republic	Zaire	[illegible]
Zambia	Kwacha	[illegible]
Zimbabwe	Zimbabwe $	[illegible]

§ Rate is the transfer market (controlled). †† Now one official rate. (§)Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rates. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100⅞	99⅛	Treas 11½pc 1985	99⅞xd	.....	11.51	12.94
99⅛	97⅛	Treas 8¾pcCnv '85	99⅛	+⅛	8.83	12.49
101⅛	99⅛	Exch. 12¼pc 1985	100	−⅛	12.25	12.06
101⅛	99⅛	Exch. 11¾pc '86	99⅞	−¼	11.76	11.82
99⅛	97⅛	Treas. 10pcCnv 1986	98⅞	−¼	10.14	11.69
94⅞	92¼	Treas 3pc 1986	94⅛	.....	3.18	9.32
100	97½	Exch. 10½pc Cv '86	99⅛	−⅛	10.60	11.54
101⅞	99¼	Treas 12pc 1986	100⅛	−¼	11.95	11.59
97⅛	94¼	Treas 8½pc 1984-86‡‡	97¼xd	−⅛	8.75	11.45
105⅛	102⅛	Exch. 14pc 1986	102⅞	−¼	13.61	11.62
92⅛	87¼	Exch. 2½pc 1986	92⅛	.....	2.69	7.84
104⅛	101⅛	Exch. 13¼pc 1987	102¼	−¼	12.96	11.64
99½	96⅝	Treas 10¼pcCv '87	97⅛	−⅛	10.47	11.60
90¼	85½	Exch 2½pc 1987	90⅛	−⅛	2.76	8.46
99⅛	96½	Exch. 10½pc 1987	98⅛	−¼	10.67	11.43
93¼	89	Funding 6½pc '85-87‡‡	93⅛	−⅛	6.98	10.55
98½	95½	Treas. 10pc 1987	97⅛xd	−⅛	10.26	11.47
90	84¼	Treas 3pc 1987	89⅛xd	−⅛	3.34	8.36
102⅛	99¼	Treas. 12pc 1987	101⅛	−⅛	11.87	11.43
93¼	90¼	Treas 7¾pc 1985-88‡‡	93⅛	+⅛	8.31	10.72
98⅞	95¼	Exch 10½pc '88	97⅛	−¼	10.73	11.39
96⅛	93¼	Treas 9¼pc Cv '88	95⅛	−¼	10.16	11.44
85⅛	80	Transport 3pc '78-88	85⅛xd	−¼	3.50	8.42
95¼	91½	Treas. 9½pc '88	94⅝	−¼	10.04	11.44
101¼	97½	Treas 11½pc 1989	100¼	−¼	11.47	11.39
95⅛	90¼	Treas 9½pc Cnv. '89	94⅛	−¼	10.09	11.39
79⅛	79	Treas 3pc 1989	79¼	−⅛	3.76	9.27
98½	94	Treas 10½pc 1989	97⅛xd	−¼	10.80	11.39
96⅛	92	Exch 10pc 1989	95⅛	−⅛	10.49	11.45

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£97	£81	Matthews 7¼%	£97		Q7¼%	2.3	10.2	
35	26	Maxiprint 1p	35		—			
435	375	Metal Box £1	409	+1	†15.0	3.2	5.3	6.5
170	136	Metal Closures	145		6.7	2.0	6.6	9.1
17	9	Metal Sciences 2½p	13		—			
104	73	Midland Marts	104		—			
83½	68	Mitchell Cotts	71		4.0	1.8	5.5	13.2
230	182	Morgan Crucible	213	−2	t4.0	1.5	8.0	10.2
32	22	Morris (W.F.) A 20p	29	+1	8.0	1.6	5.4	14.8
110	91	Moss (Robt.) 10p	107	+2	90.5	♦	2.5	♦
81	68	Myson Grp 10p	76½	−½	3.0	2.5	4.0	11.8
410	267	NMW Computers	350		92.5	3.4	4.7	14.5
43	33	Nash Inds.	33		6.0	2.7	2.4	21.5
48	24	Neil & Spencer 10p	28	+3	2.5	1.5	10.8	7.6
44	14½	Newman Inds 10p	42		—	—	—	8.4
44	18½	Do. 10pc Cm.Cnv Pf.	39	−2	10%	—	—	19.9
55	43	Nolton	53				3.7	—
183	146	Norcros	172		93.1	4.5	3.0	8.9
67	51	Nu-Swift 5p	51	−1	8.6	♦	7.4	♦
98	68	Oakwood Grp.	98	+3	3.0	1.6	8.4	9.8
226	150	Office & Elect	220		94.5	1.4	6.6	14.4
108	83	Oldacre 20p	83	−2	7.5	2.4	4.9	12.1
58	37	Optometrics $0.01	54	−1	u4.0	2.6	6.9	7.4
480	312½	Oriflame £1	470		u0.2	—	2.9	57.4
18	15	Owentone 12½p	17		23.4	1.3	7.1	14.6
£178	£158	Orabd 9pc Cnv 87-92	£174		904.5	♦	‡	♦
185	105	PCT Grp 10p	160		Q9%	—	5.3	—
£14	£10¼	PLM 'B' Sk 25	£11¼		94.8	2.9	4.2	9.8
193	169	PSM Intl.	170		Q21.6%	♦	4.7	♦
60	50	Pacific Sales 10p	55		905.25	2.5	4.4	11.7
204	165	Parker Knoll 'A'	194	+1	12.4	2.2	6.2	8.3
378	287½	Pearson	375	−3	9.0	2.8	6.6	7.6
29	18	Peek Holdings	29		8.5	3.1	3.2	13.0
94	85	Peerless	85		—	—	—	♦
£10¼	297	Pentland 10p	£10¼		6.3	1.4	10.6	8.6
51	33	Pentos 10p	50		2.6	9.5	—	91.6
54	44	Phillips Patents	47	+3	0.35	7.7	1.0	13.5
£12¼	£10¼	Photo-Me 50p	£12¼		1.25	—	3.8	—
323	272	Pilkington Br. £1	286	−2	9.45	6.6	1.1	—
£315	£225	Pitney-Bowes Cnv. Ln.	£282		12.5	2.9	6.2	6.2

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
232	198	Juliana's Hldgs 2p	213	−2	2.0	1.8		
268	217	LWT	250	+3	14.4	2.3		
65	55	Leisuretime Int 10p	58		2.1	3.9		
162	146	Magnet. Aq. M. 10p	162		08.75	1.3		
183	155	Media Tech Int 20p	175	+8	2.56	3.9		
200	124	Medminster 10p	188	+1	14.55	2.6		
280	175	Mills World 10p	245		3.6	4.1		
127½	89	Nationwide Leisure	98	+1	3.75	2.5		
39	15	Nimslo Int 20c	28		—	—		
24½	19½	Owners Abroad	21½		1.0	♦		
53	35	Photax (Lon.)	47		—	—		
24½	21½	P'dilly Radio NV 5p	22	−1	1.87	1.1		
90	47	Pineapple Dnc St 10p	58		1.5	1.2		
465	366	Pleasurama 5p	465		9.2	3.7		
119	109	Do. 7pcCnCmRedPf	117	−1	—	—		
96	77½	Pres Entertain 50p	89½		2.0	2.1		
65	28	Radio City 'A' NV	40		5.6	0.9		
55	43	Radio Clyde N/V	45		3.25	2.0		
63	37	Riley Leisure 10p	57	+1	0.7	—		
193	143	Saga Hols. 20p	168		4.0	2.1		
£11¼	540	Samuelson Grp £1	£10¼		9.0	3.6		
42	25	Sangers Photo 10p	40	+2	2.0	1.9		
202	138	Scantro 50p	177		3.68	3.8		
156	128	Scot. TV 'A' 10p	130		8.8	2.8		
508	319	SeaCo Inc $0.125	387	+14	—	—		
15	9	SelecTV 10p	10		—	—		
140	28	Spectrum 5p	28		2.0	4.8		
32	23	TSW 5p	26		1.5	2.6		
142	108	TVS N/Vtg 10p	125	+3	6.0	2.2		
235	132	Television Svcs 50p	225	−2	1.5	♦		
79	65	Tottenham Hotspur	66	+1	2.3	1.6		
260	182	Trid'nt TV 'A' 10p	242		7.5	1.8		
160	103	21st Century Dot	104	+1	—	—		
165	105	Tyne Tees TV 'A' £1	105		10.5	2.3		
92	84	Ulster TV N/V 'A'	88		4.75	♦		
26	20½	Webb (Jos.) 5p	21½		0.51	1.0		
26½	19	Williams (Rex) 5p	19	−½	0.91	—		
113	93	Zetters 5p	106		3.25	3.0		

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

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Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

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OVERSEAS TRADERS

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LONDON STOCK EXCHANGE

MARKET REPORT

Equity markets retreat following £503m rights issue from Hanson—index down 10.3

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

Hanson Trust's surprise announcement of a £503m rights issue, which ranks among the biggest cash calls, provided the major source of interest in London financial markets yesterday.

Inevitably, the size of the issue was seen as a possible prelude to the launch by Hanson of yet another major takeover and many of the recently suggested Hanson bid candidates such as Thorn EMI, Tate and Lyle, Pilkington Bros., and Coats Patons came to life in the early dealings.

The initial bout of excitement, however, soon gave way to drab conditions. Underlying sentiment was not helped by last Friday's setback on Wall Street, while oil price worries and the reservations of cash for the forthcoming Abbey Life issue remained a drag on the market.

Potential investors showed a marked reluctance to commit funds and most leading equities drifted lower on light offerings. Selling pressure on the Electrical majors, which has been a big factor behind the recent loss of market confidence, showed few signs of abating. The current malaise in this area finally left its mark on **British Telecom** which closed 6 lower at 189p; the preliminary figures are due on June 19.

Reflecting the trend, the Financial Times Ordinary share index fell away gradually to close at the day's worst with a loss of 10.3 at 991.3 making a fall of 25.8 over the last three trading sessions. Hanson Trust closed 11 down at 211p.

Takeover speculation tended to fade in second line stocks and there was only a limited response to the usual round of week-end Press tips.

Receding hopes of reduction in the Federal Reserve discount rate following Friday's sharp turnround in U.S. bonds together with worries about the continuing pressure on crude oil prices, unsettled the tone in Government stocks. Long-dated issues ran into light selling and closed with losses ranging to ⅜ and occasionally more, while the shorts registered falls extending to ¼. Index-linked also turned easier, but losses here were limited to only ⅛.

Lloyds Brokers flat

Adverse comment on the substantial underwriting losses facing **Minet's** Richard Beckett agency, which came hard on the heels of **PWS International's** poor annual results, demoralised Lloyds Brokers. **Minet** plummeted 20 to 197p, while **PWS** fell 50 more for a two-day relapse of 195 to 340p. **Stewart Wrightson** declined 18 to 610p and **Willis Faber** relinquished 14 to 678p. **C. E. Heath** lost 10 to 643p, as did **Steel Burrill** to 380p. Life issues, however, continued to draw strength from comment on the Government's proposed abolition of the State earnings-related pension scheme. **Legal and General** touched 757p before closing 12 higher at 750p and **Prudential** added 6 at 718p, after 725p.

Reports that Argentina had agreed with the IMF to pay about £472m in overdue interest to its creditor banks this week helped Lloyds move up 8 to 590p.

The introduction of Lloyd's underwriting agents **Sturge Holdings** was described as satisfactory, the shares opened at 375p and moved ahead swiftly to 425p before drifting back to close at 395p.

Leading Buildings went lower owing to a lack of interest, but falls were generally modest. **Redland**, however, encountered late selling and closed 6 down at 282p; the preliminary results are due tomorrow. **RMC**, still overshadowed by the chairman's warning of lower first-half profits, gave up 4 more to 372p. **Exeter Building** rose 10 to 143p as the company advised shareholders that the 140p per share tender offer from Kent Holdings—to increase the latter's stake to 29.9 per cent—was inadequate.

Business in **ICI** was thin and the shares drifted back to close a net 7 off at 759p. **James Halstead** were a firmer market at 97p during the "house" session on British Syphon takeover hopes; however, a statemen afer hours from the latter denying that it had any intention of making a renewed bid left Halstead 3 cheaper on balance at 92p. **Amersham International's** annual results were deemed slightly disappointing and the close was 5 cheaper at 368p, after 363p.

Burton better late

Activity among leading Retailers again centred on the Burton/Debenhams imbroglio as investors pondered their options following widespread comment in the weekend Press. **Debenhams** traded between 404p and 396p before settling 3 off on balance at 398p, while **Burton** attracted demand after-hours and finished 8 to the good at 493p; the latter's shares-and-cash-offer currently values Debenhams at around 346p per share.

Other Store majors drifted lower throughout the session, although dealers reported little actual business. **Gussies A** closed 12 off at 508p, while **Marks and Spencer**, 134p, and **British Home**, 297p, gave up 4 apiece. Secondary issues, buoyant recently on takeover hopes, often encountered profit-taking. **W. H. Smith** were particularly dull at 234p, down 12, while similar losses were noted for **Dixons**, 730p, **Our Price**, 570p, and **Body Shop**, 820p; the last-mentioned is due to announce interim figures tomorrow. In contrast, a Press recommendation lifted electrical retailers **Henry Wigfall** 8 to 113p, while increased full-year profits and dividend saw mail-order concern **N. Brown** 15 higher at 330p, after 335p.

There was no respite for the Electrical leaders. Sellers were again active and **Plessey**, which came under pressure last week after a disappointing investment seminar, gave up 3 more to 132p. **GEC** lost 4 to 174p, after 172p, and **Racal** softened a couple of pence to 184p. **Thorn EMI**, initially higher on thoughts that Hanson Trust could use the proceeds of its large cash-call to bid for the company, soon wavered on lack of follow-through-support and finished 11 down on balance at 434p. Elsewhere, **United Scientific** reflected fading takeover hopes with a fall of 10 to 200p. **Electronic Rentals** declined 3 to 48p on disappointment with the results, but **Molynx** moved up 6 to 70p in response to Press comment.

Apart from **Vickers**, 5 dearer at 235p, leading Engineers drifted lower. **Hawker** softened 4 at 435p and **GKN** eased the turn to 231p. Elsewhere, **600 Group** gained 3 to 107p ahead of Thursday's preliminary statement. Profit-taking clipped 2½ from **Arthur Lee** at 41½p, and 10 from **Vosper** at 300p.

Hanson Trust's cash-call stimulated fresh speculative buying of current takeover favourite **Tate and Lyle** which touched 505p prior to closing 4 higher on balance at 502p: Tate moved up from 462p to 498p last week. Food Retailers, dull recently on price war worries, gave fresh ground owing to a lack of support. **Argyll** lost 7 to 308p in front of today's annual results, while **Tesco**, preliminary figures due tomorrow, shed 4 to 256p. **Associated Dairies** also lost 4, to 156p. Speculative counter **Maynards** encountered profit-taking and fell 15 to 325p. Elsewhere, **Hazlewood Foods** hardened ¼ to £11¾, after £12, in response to the near-doubled annual profits and confident statement. Press comment highlighting Nestle's near-30 per cent stake in the company boosted **British Vending** 6 to 66p.

Grand Metropolitan fell 10 to 285p on reports that a sizeable line of stock was overhanging the market.

Boots improve

Boots moved against the trend in miscellaneous industrials, rising 5 to 185p in response to Press comment. Other leaders drifted lower in thin trading. **BTR** relinquished 7 at 375p and **BOC** gave up 5 at 302p, while **Reed International** declined 12 at 615p. Elsewhere, **Blue Arrow**, 203p, **Gieves**, 96p, **Cope Allman**, 171p, and **C. H. Industrials**, 53p, rose between 3 and 5 following week-end newspaper mention. **Combined Technology** put on 2½ to 15½p with the help of call option activity. **English China Clays** dropped 14 to 246p on further consideration of the proposed £86m rights issue, while **Standard Fireworks** softened 5 to 168p in anticipation of today's preliminary results.

The Leisure sector displayed an isolated bright feature in **Media Technology** which attracted speculative demand in a restricted market and gained 8 to 175p. **TV South** hardened 3 to 125p following a Press mention, while **Intervision** gained a penny to 9½p, after 10½p, in the wake of a sizeable put-through.

Advertising agency **Geers Gross** shed 3 more to 72p on the recent profits warning. Stationery manufacturers **Waverley Cameron**, on the other hand, attracted renewed demand in a thin market and spurted 14 to 135p.

Another dull performance by Properties left the leaders at their lowest levels of the year. **Land Securities** shed 3 to 284p and **MEPC** gave up 4 to 287p. Elsewhere, **Property Holding and Investment** shed 3 to 117p following the disappointing net asset valuation that accompanied the annual results, but **Property and Reversionary** were unchanged at 184p folowing satisfactory preliminary figures. USM-quoted **Hardanger** shed 5 to 208p despite increased half-year profits and a confident statement. Moving sharply against the trend, **Regalian** gained 10 to 148p in front of today's preliminary results.

Textiles were irregular. **Coats Patons**, buoyed by takeover talk, touched 165p before settling a net 7 dearer at 162p. **Nottingham Manufacturing** firmed a few pence to 218p, but **Courtaulds** gave up 3 to 138p. Profit-taking clipped 4 from **Carpets International** at 66p.

Oils easier

Leading oils continued to drift in the run up to the June 30 OPEC meeting. The latest figures from the International Energy Agency, which showed oil consumption in OECD countries some 2 per cent lower in the first quarter, compared with the same period last year, led to an initial mark down of the major issues. Little selling developed during the day, however, and most edged off their lowest levels after hours. **BP** and **Shell** registered marginal falls at 518p and 685p respectively, while **LASMO** settled 6 off at 267p and **Enterprise** gave up 4 to 174p. **Tricentrol** closed 8 cheaper at 210p.

Secondary oils remained under pressure, with **Sovereign** a further 5 down at a year's low of 135p. **Falcon Resources** staged a modest rally to close 5 firmer at 83p. **Osceola Hydrocarbons** were finally unchanged at 44p, after 42p, following the U.S. drilling report.

Golds weak again

The general depression that has surrounded mining markets for the past three weeks continued unabated. South African Golds gave ground following the latest poor showing by the bullion price. The latter dipped to around $310 in the morning before rallying to close a net $2.25 easier at $312.25 an ounce, reflecting fading hopes of imminent cuts in U.S. interest rates.

Gold share prices were marked down sharply at the outset, owing to persistent American selling late on Friday and initial offerings from South Africa, and continued to decline for the rest of the day despite sporadic support from Johannesburg. Closing levels were usually the day's lowest and the Gold Mines index responded with a further 12.3 fall to 421.9.

Dividends from **Blyvoor**, **Durban Deep** and **East Rand Proprietary** were not known during market hours and had no effect on sentiment. Among the leading heavyweights **Vaal Reefs** were especialy weak and posted a £2¼ fall to £68¼, while **Southvaal** dipped £1¼ to £31¼, **Eastern Transvaal** £1⅛ to £12 and **Western Holdings** a point to £22¼. The mines in the Gold Fields group retreated in front of the final dividends; **Driefontein and Kloof** fell ½ apiece to new lows of £18½ and £29¼ respectively, while **Deelkraal** ran back 11 to 198p.

Financials and Platinums retreated along with Golds. In the former sector, "**Amgold**" dropped £1⅜ to £67 while the UK-domiciled issues showed falls of a few pence common to **Consolidated Gold Fields**, 530p and **Rio Tinto-Zinc** 575p.

The leading Platinums were persistently sold—**Impala** dipped 40 to a year's low of 760p and **Rustenburg** fell 35 to 595p.

The absence of a lead from Sydney and Melbourne markets—which wer eclosed for public holiday—ensured a quiet day in Australians. The leaders slipped back, unsettled by the fall in bullion.

Contracts struck in Traded Options amounted to 7,826. **Hanson Trust** recorded 571 calls and 350 puts following the proposed rights issue. **British Telecom**—due to reveal preliminary results later this Account—attracted 836 calls and 684 puts, the August 180 series accounting gof 203 calls and 495 puts respectively.

FINANCIAL TIMES STOCK INDICES

	June 10	June 7	June 6	June 5	June 4	June 3	year ago
Government Secs.	81.51	81.81	81.83	81.86	82.00	81.92	79.03
Fixed Interest	86.05	86.36	86.37	86.30	86.38	86.26	82.82
Ordinary	991.3	1001.6	1007.6	1017.1	1020.2	1010.7	858.1
Gold Mines	421.9	434.2	443.4	444.3	450.2	450.7	667.6
Ord. Div. Yield	4.65	4.62	4.59	4.56	4.55	4.59	4.70
Earnings, Yld.% (full)	11.67	11.58	11.51	11.43	11.42	11.52	10.91
P/E Ratio (net) (*)	10.45	10.54	10.60	10.68	10.69	10.60	11.00
Total bargains (Est.)	21,863	20,867	23,312	22,878	19,245	23,216	18,247
Equity turnover £m.	—	380.70	392.60	351.90	339.90	308.66	194.19
Equity bargains	—	18,126	17,852	18,213	19,045	19,256	14,894
Shares traded (ml)	—	178.6	184.4	223.2	184.9	166.6	102.1

10 am 1002.3. 11 am 1001.2 Noon 995.2 1 pm 993.3.
2 pm 992.4. 3 pm 991.5.

Basis 100 Govt. Secs. 15/10/26 Fixed Int. 1928. Ordinary 1/3/35. Gold Mines 12/9/55. SE Activity 1974

Latest Index 01-246 8026.

*Nil = 10.12.

HIGHS AND LOWS — S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low		June 7	June 6
Govt. Secs.	82.00 (18/4)	78.02 (26/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	178.7	143.1
Fixed Int.	86.38 (4/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	117.4	115.7
Ordinary	1024.5 (5/6)	928.7 (22/1)	1024.5 (5/6/85)	49.4 (26/6/40)	Value	769.5	793.5
Gold Mines	530.9 (15/4)	421.9 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)	5-day Average Gilt Edged Bargains	167.8	163.3
					Equities Bargains	119.9	127.4
					Value	717.0	739.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (48)

AMERICANS (1) Gen. Foods Corp.
BREWERS (1) Vaux
BUILDINGS (3) Dew (George), Wilson (Connolly), Exeter Bldg. & Cons.
CHEMICALS (1) Morceau
STORES (3) Brown (N.), Superdrug Stores, Hepworth (J.)
ELECTRICALS (2) Emess Lighting, JSD Computer
ENGINEERING (5) Camford Eng., Richardsons Westg'th, Chemring, TACE, Pegler-Hattersley
FOODS (3) Batleys of Yorks., Needlers, Cullen's Hldgs.
INDUSTRIALS (9) Blue Arrow, Gieves, Bruntons (Muss.), Oakwood, Chamberlain Phipps, Third Mile Inv., Emray, Welpac, Flogas
INSURANCE (7) Allianz Versich., London United, Britannic Assce., Prudential, Combined Intl., Sun Life, Legal & General
MOTORS (2) Automotive Prods., Caffyns
PAPER (1) Crown Intl. Prods.
PROPERTY (2) City Site Estates, Regalian
SHOES (2) FII Group, Headlam Sims
TRUSTS (6) City of Oxford, SPRAIT, Greenfriar Inv., Tor Invest.Cap., Pacific Assets Tst., Park Place Invs.

NEW LOWS (81)

BRITISH FUNDS (1) Treas. 10pc 2004 (£30 paid)
AMERICANS (1) IU Intl.
CANADIANS (2) Bow Valley, Muscocho Expln.
BREWERS (2) Greenall Whitley, Merrydown Wine
BUILDINGS (1) Crouch (D.)
CHEMICALS (1) Allied Colloids
STORES (2) Castle (G. B.), Gee-Rosen
ELECTRICALS (18) AB Electronic, Grosvenor Group, Air Call, Mellerware Intl., Atlantic Computer, Multitone Elects., CPS Computer, Murray Tech. Invs., Cont. Microwave, Powerline Intl., Crystalate, Sarasota Technology, DJ Security Alarms, Tunstall Telecom, Electrocomponents, Wholesale Fittings, GEC, Wordplex
ENGINEERING (1) Hobson
FOODS (1) Tavener Rutledge
INDUSTRIALS (7) Astra AB, Falcon Inds., Berisfords, Tinsley (Eliza), Diploma, Tod (W. & J.), English China Clays
INSURANCE (2) Minet Hldgs., PWS Intl.
LEISURE (1) Williams (Rex)
MOTORS (2) BL, Gen. Motors Units
PAPER (2) Geers Gross, Osborne & Little
PROPERTY (3) Comoco Hldgs., MEPC, Land Securities
SHOES (1) Lambert Howarth
TEXTILES (2) Burmatex, Parkland A
TRUSTS (11) CJR Pacific, Japan Assets 4½pc Cnv. Ln. 1994, Crescent Japan, Drayton Far East, Nth. Atlantic Sec., F. & C. Pacific, Shires Inv., Fledgeling Japan, Abingworth, Fleming Far East, Fleetech
OILS (4) Charterhouse Pet., New London Oil, LASMO, Sovereign Oil
MINES (15) East Rand Prop., President Steyn, West Rand Cons., Welkom, Eastern Tvl. Cons., Western Hldgs., Grootvlei, Impala Platinum, S.A. Land, Rustenburg Platinum, Blyvooruitzicht, Anglo Amer. Gold, Driefontein, Petaling Tin, Kloof Gold

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	92	13
Corpns. Dom. and Foreign Bonds	1	35	40
Industrials	210	445	802
Financial and Prop.	57	170	327
Oils	11	35	81
Plantations	3	5	10
Mines	13	65	101
Others	55	61	107
Totals	353	908	1,481

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7

For rate indications see end of Share Information Service

Money was given for the call of Southend Stadium, Combined Technologies, Aberfoyle, BSR, Bula, Evered, TI, Swire Pacific, Premier Oil, Plessey and Parkfield. No puts were reported. A double option was transacted in Boots.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Amersham Intl.	368	− 5
Boots	185	+ 5
Bowater Inds	298	− 2
Brammer	398	− 7
British Telecom	189	− 6
Hanson Trust	211	−11
Lee (Arthur)	41½	− 2½
Legal and General	750	+12
Media Technology	175	+ 8
Prudential	718	+ 6
STC	152	+ 2
Thorn EMI	434	−11

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
PWS Intl.	21	390	−145
Brit. Aero†	19	203	−10
Thorn EMI	19	445	−17
STC	18	150	− 8
Glaxo	17	£13	—
BP	16	520	− 5
Cable & Wire	15	545	−10
Debenhams	15	401	− 2
Argyll Group	14	315	−12
Dee Corp	14	258	—
Bowater Inds	13	300	+10
HK & Shang Bk	13	79½	+ 2½
ICI	13	766	—
Plessey	13	135	− 3

† Partly-paid

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 16,645

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
LASMO (*268)	260	25	37	50	10	15	18
	280	16	27	37	22	27	32
	295	10	20	—	33	40	—
	300	—	—	28	—	—	42
	325	8	14	—	60	62	—
	355	5	9	—	90	90	—

[illegible]

June 10 Total contracts 7,826 Calls 4,923 Puts 2,903

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

June 10	Price Sch%	+ or −
Creditanstalt	345	+5
Goesser	526	...
Interunfall	1,620	+50
Laenderbank	328	+3
Perlmooser	615	+5
Steyr-Daimler	175	−5
Veitscher Mag	590	+20

BELGIUM/LUXEMBOURG

June 10	Price Frs.	+ or −
B.B.L.	2,025	+25
Banq. Int. A. Lux	8,020	...
Bekaert B.	6,220	+20
Ciment CBR.	2,390	−85
Cockerill	253	−3
Delhaize	9,200	...
EBES	3,065	−40
Electrobel	8,500	−110
Fabrique Nat	2,030	+5
GB Inno BM	4,820	−30
GBL (Brux)	1,900	−20
Gevaert	3,880	−20
Hoboken	5,600	−10
Intercom	3,260	−80
Kredietbank	9,100	−50
Pan Hldgs.	10,950	...
Petrofina	6,000	...
Royale Belge	12,200	...
Soc. Gen. Banq	5,480	+55
Soc. Gen. Belge	1,930	−40
Sofina	7,200	−320
Solvay	4,670	+10
Stanwick Intl.	1,500	...
Tractionel	3,885	−75
UCB	5,350	...
Wagon Lits	3,400	−120

DENMARK

June 10	Price Knr %	+ or −
Andelsbanken	294	+3
Baltic Skand	580	+5
CopHandelsbank	282	+7
D. Sukkerfab	500	—
Danske Bank	308	+7
De Danske Luft.	1,145	+5
[illegible]	[illegible]	[illegible]

GERMANY

June 10	Price Dm.	+ or −
AEG-Telef.	155	+0.5
Allianz Vers	1280xr	+30
BASF	221.9	−2.4
Bayer	230	−3.8
Bayer-Hypo	351.7	−4.3
Bayer-Verein	378 xd	−6
BHF-Bank	320	−14
BMW	386.5	+2.5
Brown Boveri	217	+0.5
Commerzbank	205	−6.5
Cont'L Gummi	148	−2.4
Daimler-Benz.	809	−9
Degussa	340	−1
D'sche Babcock.	161	−3.5
Deutsche Bank	547 xd	−5
Dresdner Bank	227.5xd	−6
GHH	151	−0.7
Hochtief	560	+5
Hoechst	221.5xd	−4
Hoesch Werke	107.7	−1.5
Holzmann (P)	478	−11
Horten	182	−2
Hussel	285.1	−0.1
Karstadt	228	−2
Kaufhof	238	−2
KHD	262	−1.5
Kloeckner	68	−1
Linde	482	−5
Lufthansa	196	−3.5
MAN	157.8	−1.7
Mannesmann	178.5	−2.3
Mercedes Hld.	709	−12
Metallgesel	264.5	+0.5
Munech Rueck.	1,740	−40
Nixdorf	591.5	−2
Porsche	1243	−7
Preussag	282.5	+2.5
Rhein West Elect	168.8	+0.3
Rosenthal	256	−2
Schering	470	−0.2
Siemens	564.5	−4.5
Thyssen	106	−1
Varta	225	−4.5
Veba	200	−3
V.E.W.	136	−1
Verein-West	523	...
Volkswagen	274.5	−3.4

ITALY

NORWAY

SPAIN

SWEDEN

SWITZERLAND

NETHERLANDS

FRANCE

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm June 10

MONTREAL

Closing prices June 6

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2283	DomTxtA	$10½	10½	10½	
2650	MntTrst	$16¼	16	16	−⅛
105059	NatBk Cda	$20¼	20	20	−⅛
16900	Power Corp	$18⅜	18⅛	18¼	
2425	RollandA	$19⅝	19½	19½	−¼
25769	Royal Bank	$31	30⅝	30¾	−⅜
100	RoyTrstco	$22	22	22	−½
600	SteinbrgA	$41½	41¼	41¼	−½

Total Sales 1,769,197 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

Stock		Sales (Hnds)	High	Low	Last	Chng
W W						
WD 40	.88	14	21¼	21¼	21¼	−¼
WalbCs		161	13¼	12½	13	−¼
WlkrTel		46	7½	7⅛	7⅜	
WshE	1.76	454	23	22½	22⅝	−⅜
WFSLs	.80b	33	33¼	32¾	33¼	
WMSB		63	14⅛	13⅞	14	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Boots	185	+ 5
Burton	493	+ 8
Combined Tech	15½	+2½
Exeter Bldg	143	+10
Falcon Res	83	+ 5
Legal & Gen	750	+12
Lloyds Bank	590	+ 8
Media Tech	175	+ 8
Molynx	70	+ 6
Regalian Prop	148	+10
Wav Cameron	135	+14
Wigfall (H)	113	+ 8

FALLS

Treas. 14½pc 1994	£121¾	− ½
Amersham Int	368	− 5
Argyll Group	308	− 7
British Telecom	189	− 6
Elect Rentals	48	− 3
GEC	174	− 4
Grand Metro	285	−10
Hanson Trust	211	−11
Minet Hldgs	197	−20
PWS Int	340	−50
Redland	282	− 6
Rustenburg Plat	595	−35
Smith (WH) A	234	−12
Thorn EMI	434	−11
Utd. Scientific	200	−10
Vaal Reefs	£68½	−2¼

Indices

NEW YORK-DOW JONES

STANDARD AND POOR'S

N.Y.S.E. ALL COMMON

RISES AND FALLS

New York Active Stocks

TORONTO

* Indicates pre-close figure

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

NYSE COMPOSITE PRICES

Continued from Page 37

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
		X Y Z								
50⅞	33¼	Xerox	3	6.1	21	1131	49⅜	48⅞	49	−¼
54½	45¼	Xerox pf5.45		10		206	53⅞	53⅜	53¾	
30¼	24	ZaleCp 1.32		4.5	9	42	30	29½	29½	−½
22	10⅝	Zapata .84		7.6	22	376	11¼	d10½	11⅛	+½
56	25	Zayre s .48		.9	17	548	54⅝	54⅛	54½	
30	18⅛	ZenithE			8	616	21	20⅝	20¾	−¼
21⅞	15	Zero s .32		1.7	16	308	18½	18⅛	18½	+¼
35¼	22	Zurnin 1.32		3.9	12	x80	34	33	34	+⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Prices at 3pm, June 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	16	AAR	.48	2.4	15	55	19¾	19⅝	19⅝	−⅛
18½	9⅝	AGS			11	18	13⅜	13⅛	13¼	+⅛
16⅝	9⅝	AMCA				50	10⅝	10½	10½	−⅜
21½	13¾	AMF	.50	2.6	59	373	19⅝	19¼	19⅜	−⅛
48⅛	24¼	AMR			11	2193	46⅝	45⅞	46¼	−½
22	18⅝	AMR pf2.18		9.9		5	22	22	22	
25⅞	22⅞	ANR pf 2.67		11		1	24⅛	24⅛	24⅛	+⅛
23	19	ANR pf 2.12		10.		2	20¼	20¼	20¼	+½
14¼	7¾	APL				4	9	9	9	+⅛
62⅝	44⅜	ASA		24.1		389	49¼	48⅝	49⅛	−⅛
27	14⅛	AVX	.32	2.2	12	880	15	14⅜	14⅝	−¼
26⅛	18	AZP	2.72	10.	8	1631	u26¼	26	26⅛	+⅛
57¼	36¾	AbtLab 1.40		2.5	16	707	56¾	56⅜	56¾	+¼
25⅞	17⅝	AccoWd.44		1.9	17	318	23	22¾	22¾	+¼
19½	12½	AcmeC .40		2.8		677	u24¾	14½	14½	−¼
10½	7⅝	AcmeE.32b		3.9	10	5	8¼	8⅛	8¼	+⅛
17½	15	AdaEx 1.92e		11.		52	17¼	17⅛	17¼	
20	11⅞	AdmMl .32		2.0	6	70	15⅞	15¾	15¾	
18½	8⅝	AdvSys.53t		5.0	17	75	10⅞	10½	10⅝	−⅛
41⅛	24⅛	AMD			12	3827	27⅝	25⅝	27⅜	+1⅛
12¾	6⅞	Advest .12		1.3		70	9¼	9	9	−¼
14⅝	9	Aeriiex			12	123	12⅝	12¼	12⅝	+⅛
47	27¼	AetnLf 2.64		5.7	34	1131	46¾	46½	46⅝	
37⅜	17⅞	Ahmns 1.20		3.4	14	815	36½	34¾	35	−⅞
3⅝	2½	Aileen			23	73	3	3	3	+⅛
54	38⅝	AirPrd 1.20		2.2	12	674	53¾	53⅜	53⅝	−⅛
24⅜	13	AirbFrt .60		2.6	13	26	22⅞	22⅝	22⅞	+⅛
2	1	AlMoa s				189	1¾	1⅝	1¾	
27⅝	21	AlaP pf2.92e		11		66	26¾	26¾	26¾	
33⅜	26¾	AlaP pfA3.92		12.		8	31¾	31½	31½	−½
8	6¼	AlaP dpl .87		11.		48	8	7⅞	7⅞	
79¾	61½	AlaP pf 9		12.		z280	78½	78	78	−1¾
84⅝	63½	AlaP pf 9.44		11.		z200	83⅛	83⅛	83⅛	−1⅛

Kidder, Peabody International
Limited

International Investment Bankers

An affiliate of
Kidder, Peabody & Co.
Incorporated
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Continued on Page 37

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
15	9⅛	OccIP	wt			10	14	14	14	−⅛
111	80	OccIP	pf3.60	3.4		2	107⅞	106¾	106¾	−3¼
23⅝	20¼	OccIP	pf2.50	11.		1	23⅛	23⅛	23⅛	
20⅝	17⅛	OccIP	pf2.12	10.		8	u20¾	20¾	20¾	+⅜
21¾	18⅝	OccIP	pf2.30	11.		3	21⅜	21⅜	21⅜	−⅛
57	48⅝	OccIP	pf6.25	11.		46	56⅛	56⅛	56¼	−⅛
113	105⅝	OccIP	pf15.50	14.		102	107⅞	107⅝	107⅝	−⅛
105¼	101¼	Occl	pf14 62	14.		2	106½	106¼	106¼	−⅛
32⅝	22	ODECO	1	4.5	16	552	22½	22¼	22¼	−¼
31⅞	24⅛	Ogden	1.80	6.2	14	x74	29⅛	29	29⅛	
15⅝	9¾	OhioEd	1.88	12.	6	840	15⅛	15	15⅛	
31½	22½	OhEd	pf3.90	12.		y430	31½	30	31½	+1½
35½	25⅝	OhEd	pf4.40	14.		y200	32½	32½	32½	−1⅜
37	28½	OhEd	pf4.56	12.		z200	u37¼	37	37	+1½
57½	43	OhEd	pf7.36	13.		z640	57¼	56	56	−½
65	45	OhEd	pf8.20	13.		z590	65	63¾	65	+¼
28	18¼	OhEd	pf3.50	13.		38	28	27½	27½	+⅛
31	21	OhEd	pr3.92	13.		27	30⅞	30⅝	30⅝	
89⅝	77	OhE	pf10.76	12.		z100	87	87	87	+1½
17¼	11⅛	OhMatr	.40	3.0	15	35	13⅝	13⅛	13⅛	−½
65¼	51½	OhP	pf87.60	12.		z1000	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

AMEX COMPOSITE PRICES

Prices at 3pm, June 10

Stock	Div	P/E	Sls 100s	High	Low	Close	Change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

WORLD STOCK MARKETS
FINANCIAL TIMES

WALL STREET

Job worries cast cloud of uncertainty

THE LATEST *statistics on* unemployment in the U.S. cast a new cloud of uncertainty over Wall Street's hopes of a cut in the Federal Reserve discount rate yesterday, bringing a downward trend in bond prices and an unsettled picture in equities, *writes Terry Byland in New York.*

Some analysts believe the increased unemployment in the non-farm sector may have undermined prospects for another cut in discount rate, although others think the Fed is still anxious to stimulate the economy.

At 3pm the Dow Jones industrial average was 2.13 down at 1,315.52.

After an uncertain start, the bond market began to extend the sharp falls recorded on Friday, after the announcement of the unemployment statistics.

In the stock market, the indications that U.S. industry may be turning stronger was seen as a bull sign. But the weakness in bonds encouraged further profit-taking in stocks on the back of the strong rise in the market at the beginning of last week.

Profit-taking in both airline and railroad issues brought a sharp fall in the Dow transportation average.

Among interest sensitive stocks, utilities turned lower in response to the about-turn in rates in the bond market. The money centre banks, with their cost of funds no longer falling in the money markets, also eased. Manufacturers Hanover at $38½ was down $½, J. P. Morgan, at $52 was $1 lower. BankAmerica was $¼ off at $19¾ ahead of a Federal bank regulators meeting which could bring a down-grading of Argentine debt rating. This would require increased reserves by the bank.

But regional banks moved higher after a Supreme Court ruling which significantly strengthens prospects for interstate banking plans. Prominent was Sun Banks of Florida, which is in the process of merging with Trust Co of Georgia. Sun Bank jumped $3¾ to $39, while Trust Co, at $36½ fell $1⅜. Wachovia at $38⅛ gained $⅛ but Barnett Banks of Florida at $40¼ lost $¼.

The much-battered technology sector struggled to rally, but the Dow Average was depressed by a dip of $⅝ to $127 in IBM. Also lower was Digital Equipment, IBM's nearest rival in data processing, with a $½ fall at $97⅞. In a subdued personal computer sector Apple shaded by $⅛ to $16¼.

Also softer was General Motors, $⅛ easier at $74⅜ as investors absorbed the details of the $5bn acquisition of Hughes Aircraft. Doling, having lost out in the contest for Hughes, dipped $1⅛ to $½ after disclosing that it is considering other defence industry acquisitions.

Other defence stocks also turned easier on the prospect that the Hughes sale means a period of infighting for an industry already beset with cost scandals. General Dynamics dipped by $⅜ to $73¾, McDonnell Douglas shed $⅛ to $78½, and Lockheed at $50⅝ was $⅛ down.

In the airline sector, TWA held unchanged at $19½ as Wall Street awaited a statement from Resorts International, believed to be acting the white knight which will fend off Mr Carl Icahn.

United, still labouring under the strike by the pilots, jumped by $1⅝ to $53⅞ after announcing plans to "recapture" $960m from an overfunded pension scheme. But the other airline issues were out of favour, with Pan American dipping $¼ to $6¾ as profits were taken after the recent upswing in the stock price.

The disarray in the world oil industry after cuts in British North Sea oil brought mixed views on oil stocks. Most of the majors shaded lower but some investors took the view that the slide in Exxon's stock price was unjustified, and the stock rebounded by $1⅛ to $51¼, although trading was not heavy.

In the credit markets, turnover was sluggish, with traders cautious ahead of the day's traditional auction of Treasury-bills. This week, $14bn three and six-month bills are on the block, and current rates are the lowest for five years. T-Bill rates edged higher in the market, extending Friday's trend.

The bond market was helped by a steadier tone in bond futures and managed to rally from the lowest levels. At mid-session, prices were no more than a shade below Friday's closing levels.

THE RAPID growth since the beginning of this year in the number of companies traded in the Nasdaq national market system (NMS) of quoted stocks has prompted a more selective approach to listings to be included in the Financial Times from today.

The accelerated pace of growth of NMS stocks is the result of an agreement reached last November between the National Association of Securities Dealers and the Securities and Exchange Commission on requirements for listing.

While higher financial criteria were set for companies wishing to be listed, the necessity for minimum trading volume of 100,000 shares a month was lifted. During 1984, membership of the NMS grew from 682 to 1,080 companies. In the wake of the November decision, growth has been more dramatic with a total of 1,933 companies listed by the end of last month.

This compared with 1,539 companies quoted by the NYSE at the end of April and 785 on the American Stock Exchange.

The value of shares traded on the Nasdaq system rose from $71bn in 1981 to $153bn last year – $114bn on the NMS – and is projected by Nasdaq to rise to between $175bn and $200bn this year. By comparison, the value of shares traded on the New York Stock Exchange rose from $389bn in 1981 to $764bn last year.

To reflect the relative importance of the three markets, the Nasdaq listing is to be limited to the top 1,000 companies, as measured by market capitalisation and trading volume. The Amex listing is to be limited to a selection of leading stocks, while NYSE listings are unchanged.

LONDON

HANSON TRUST'S surprise announcement of a £519m rights issue, which ranks among the biggest cash calls, provided the major source of interest in London. Hanson Trust lost 11p to 211p.

The initial bout of market excitement soon gave way to drab conditions, however. Equities drifted lower and selling pressure on electricals showed few signs of abating. The FT Ordinary share index lost 10.3 to 991.3.

Gilts were unsettled with light selling taking long-dated issues ⅜ lower and shorts down ¼.

Chief price changes, Page 35, Details, Page 34, Share information service, Pages 32–33.

HONG KONG

THE Government's takeover of Overseas Trust Bank on Friday restored some confidence in Hong Kong. Stocks rebounded from the previous session's sharp falls, but some gains were pared by profit-taking late in the day.

Jardine Matheson takeover rumours again circulated in the market. Anglo American denied, however, that it was involved in acquisition negotiations. Jardine rose 10 cents to HK$11.50 and its associate group Hongkong Land added 10 cents to HK$5.60.

Among blue chips, Hutchinson Whampoa was 6 cents firmer at HK$24.30, Hongkong & Shanghai Bank rose 10 cents to HK$7.90 and Swire Pacific ended 5 cents higher at HK$22.70.

SINGAPORE

A QUIETER mood in Singapore, compared with Friday's wave of selling, left prices mixed in thin trading.

UOB, which during the weekend declared it held a less-than-rumoured stake in Hong Kong's OTB, recovered only 2 of the 20 cents it lost on Friday, to close at S$3.22.

In other banks, OCBC added 15 cents to S$9.20 after shedding 20 cents in the previous session and DBS put on 5 cents to S$6.10.

Short coverings boosted Genting by 10 cents to S$6.25 and most other stocks closed within one or two cents of their pre-weekend levels.

SOUTH AFRICA

A LACK of buying interest coupled with a low bullion price, took shares lower in Johannesburg.

In golds, Buffels shed R2 to R73, FS Geduld lost R3 to R47 and Vaal Reefs ended R5 lower at R174.

Anglo American Corporation, rumoured to be interested in Hong Kong's Jardine Matheson, drifted 85 cents lower to R28.25.

De Beers, which on Monday reassured buyers that the market would not be flooded by cheaper gems from the Soviet Union, remained unchanged at R10.60.

EUROPE

Rate jitters set peaks trembling

INTEREST RATE jitters and profit-taking knocked prices off their peak levels during trading in Frankfurt yesterday. With foreign investors sidelined, shares eased throughout the day, although price movements were kept between generally narrow boundaries and turnover was relatively light.

The Commerzbank index fell 6.8 to 1,356.6, biting into last Friday's 27.6 climb to a record 1,363.5.

Declines were heaviest among sectors which led last week's rally such as banking, chemical and automotive groups, as investors chose to profit from last week's rise.

Daimler-Benz led motor stocks lower with a DM 9 fall to DM 809, while Volkswagen slipped DM 3.40 to DM 274.60 and Porsche DM 7 to DM 1,243.

The U.S.-inspired concern about the possibility of higher interest rates had most effect on the banking and insurance sectors, which have also been carried forward recently by the market's broad strength.

Among the largest falls, Deutsche eased DM 5 to DM 547, Commerzbank DM 6.50 to DM 205 and Dresdner DM 6 to DM 227.50. Allianz was the largest loser among insurance stocks, closing down DM 30 to DM 1,290.

Bonds closed easier in thin trading following the U.S. dollar's firmer tone. The Bundesbank bought DM 28m worth of domestic paper after selling DM 39.4m on Friday.

Selling also surfaced in Amsterdam, halting a run of record advances in the banking and insurance sectors.

Among the banks most affected by profit-taking, ABN was down Fl 5.50 at Fl 452.00, while NMB lost Fl 2 to Fl 191.50 and Amro shed 90 cents to Fl 80.40.

International stocks were under pressure throughout the day. Royal Dutch/Shell was hit again amid continuing expectation of a cut in the official oil price and finished Fl 2.40 lower at Fl 193.50. Unilever was off 70 cents at Fl 346.50.

A retreat developed during trading in Zurich, as investors cut into last week's increases.

Leading industrial issues felt the brunt of the selling. Ciba-Geigy fell SwFr 45 to SwFr 3,165, Nestlé SwFr 35 to SwFr 6,270 and Sandoz SwFr 100 to SwFr 8,400.

In the banks, UBS eased SwFr 25 to SwFr 3,960, Bank Corp SwFr 5 to SwFr 407 and Swiss Volksbank SwFr 15 to SwFr 1,670.

Interest rate considerations weighed heavy on investors' minds in Brussels and the market closed broadly lower after the recent rise.

Electrical holding group Tractionnel fell BFr 175 to BFr 3,885 and Electrobel was down BFr 110 to BFr 8,500. Wagon Lit continued to decline, closing BFr 120 lower at BFr 3,400.

Trading remained thin in Paris with sellers holding a marginal advantage for most of the session.

The automotive sector was weaker with Peugeot FFr 22 lower at FFr 402 and Michelin off FFr 29 at FFr 1,051.

Foreign and local institutional support pushed share prices higher in Milan in advance of the outcome of the nation's wages referendum. The Banca Commerciale index added 2.63 at 314.30 compared with its high for the year of 320.01.

Weakness persisted in Madrid, with most bank stocks losing ground in thin trading.

Few major industrial stocks moved in Stockholm during quiet pre-holiday trading. Electrolux firmed a further SKr 2 to SKr 262.

The Sydney Stock Exchange was closed because of a national holiday.

TOKYO

Sanctuary sought on sidelines

THE DECLINE on Wall Street last Friday drove investors to the sidelines in Tokyo yesterday and sent share prices lower for the first time for five trading days, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital issues such as Mitsubishi Heavy Industries and asset-heavy stocks, which had led the recent bullish market, lost ground under heavy profit-taking.

The Nikkei-Dow market average shed 33.25 points from the previous week to close at 12,683.34. Trading was slow at 348.11m shares, well down from last Friday's 911.94m. Losses outnumbered advances by a narrow margin of 414 to 400, with 141 issues unchanged.

The market had performed well for a couple of weeks as large-capital shipbuildings, steels and electric powers attracted strong buying interest. Investors had hoped that falling U.S. interest rates might prompt the Federal Reserve Board to cut the official discount rate again, which would bring down interest rates in Japan. However, that hope faded when long-term U.S. bond prices dropped on Friday.

Hit by a wave of small-lot selling, Mitsubishi Heavy Industries fell Y6 to Y298 and topped the active list as 10.13m shares changed hands. Nippon Steel, the second busiest issue with 8.02m shares, declined Y3 to Y155. Tokyo Electric Power lost Y50 to Y2,100 and Tokyo Gas Y6 to Y229.

Nippon Yusen, which had been popular on expectations for government deregulation, dipped Y11 to Y298. Property and transport stocks were lower, Mitsubishi Estate lost Y13 to Y785, Nippon Express Y15 to Y424 and Tobu Railway Y7 to Y343. Construction and housing also eased, with Ohbayashi dropping Y14 to Y325.

Some blue chips came into favour towards the close. TDK added Y170 to Y4,720, Pioneer Y60 to Y1,900, Sony Y30 to Y4,090 and Hitachi Y15 to Y730. Nevertheless, trading volume of those blue-chip issues was slim, except for Mitsubishi Electric. It was the 10th busiest stock, with 4.43m shares traded as it rose Y7 to Y387. Investment trust buying helped blue chips to gain ground.

Some securities companies moved up on small-lot foreign buying. Nomura Securities jumped Y20 to Y1,210, with foreign buying orders for around 1m shares. Nikko Securities gained Y30 to Y780 and Yamaichi Y4 to Y782.

Bond prices weakened as investors were discouraged by the probability that the Federal Reserve Board would fail to cut the discount rate again in the immediate future. The yield on the 7.3 per cent government bonds maturing in December 1993 rose only slightly from Friday's 6.505 per cent to 6.520 per cent.

CANADA

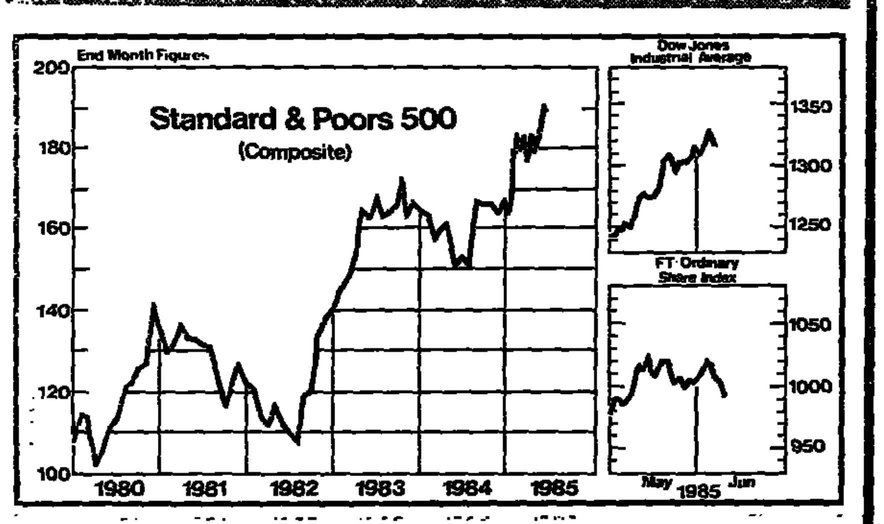
A FURTHER sharp decline developed during trading in Toronto, with turnover again high.

Among the most heavily traded losers, Royal Bank traded C$⅝ lower at C$30⅛, Inco was C$¼ down at C$19, Noranda C$⅛ off at C$15⅞ and Dome Mines eased C$⅛ to C$10¼.

Energy issues stocks were generally easier with Texaco C$½ down at C$32⅝.

Business was light in Montreal with stocks generally lower.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,315.52*	1,316.42	1,131.25
DJ Transport	650.98*	653.45	477.67
DJ Utilities	163.73*	163.88	124.37
S&P Composite	189.27*	189.68	155.17
LONDON			
FT Ord	991.3	1,001.6	838.1
FT-SE 100	1,299.6	1,310.6	1,068.6
FT-A All-share	629.24	634.66	501.98
FT-A 500	688.72	696.02	549.43
FT Gold mines	421.9	434.2	667.6
FT-A Long gilt	10.68	10.63	10.71
TOKYO			
Nikkei-Dow	12,683.34	12,716.5	10,350.9
Tokyo SE	1,004.90	1,005.70	798.61
AUSTRALIA			
All Ord.	closed	858.3	679.8
Metals & Mins.	closed	516.0	454.0
AUSTRIA			
Credit Aktien	100.48	100.24	54.68
BELGIUM			
Belgian SE	2,369.76	2,383.54	—
CANADA			
Toronto			
Metals & Minls	1,934.3*	1,951.0	1,986.0
Composite	2,719.8*	2,738.1	2,274.7
Montreal			
Portfolio	132.89*	134.14	110.7
DENMARK			
SE	n/a	191.85	185.16
FRANCE			
CAC Gen	230.7	231.3	171.6
Ind. Tendance	129.8	130.3	88.4
WEST GERMANY			
FAZ-Aktien	459.85	462.56	346.59
Commerzbank	1,356.6	1,363.4	1,007.5
HONG KONG			
Hang Seng	1,571.87	1,542.55	964.21
ITALY			
Banca Comm.	314.3	311.67	203.8
NETHERLANDS			
ANP-CBS Gen	213.4	214.5	157.2
ANP-CBS Ind	177.9	178.1	125.2
NORWAY			
Oslo SE	341.46	342.52	259.26
SINGAPORE			
Straits Times	803.21	800.32	949.84
SOUTH AFRICA			
JSE Golds	–	n/a	994.7
JSE Industrials	–	n/a	959.1
SPAIN			
Madrid SE	110.14	110.32	86.35
SWEDEN			
J & P	1,348.36	1,357.69	1,428.88
SWITZERLAND			
Swiss Bank Ind	435.3	436.4	364.0
WORLD	June 7	Prev	Year ago
Capital Int'l	213.0	214.3	179.2

GOLD (per ounce)

	June 10	Prev
London	$312.25	$314.50
Zürich	$312.35	$314.55
Paris (fixing)	$311.01	$314.79
Luxembourg	$312.65	$315.50
New York (Aug)	$317.20	$317.70

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR June 10	U.S. DOLLAR Previous	STERLING June 10	STERLING Previous
$	–	–	1.2575	1.268
DM	3.102	3.08	3.9	3.91
Yen	250.45	249.5	315.0	316.5
FFr	9.4525	9.39	11.885	11.895
SwFr	2.612	2.5975	3.285	3.2875
Guilder	3.495	3.471	4.395	4.4025
Lira	1,973.0	1,958.5	2,481.0	2,483.0
BFr	62.55	62.0	78.6	78.6
C$	1.373	1.371	1.7275	1.739

INTEREST RATES

	June 10	Prev
Euro-currencies (3-month offered rate)		
£	12 11/16	12½
SwFr	5¼	5⅝
DM	5⅝	5 9/16
FFr	10 7/16	10 7/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	7 13/16	7 9/16
6-month U.S.$	8	7 15/16
U.S. Fed Funds	7¾*	7½
U.S. 3-month CDs	7.50*	7.30
U.S. 3-month T-bills	7.22*	7.15

U.S BONDS

	June 10* Price	June 10* Yield	Prev Price	Prev Yield
Treasury				
9¼ 1987	100 19/32	8.857	100 19/32	8.81
11¾ 1992	107 28/32	10.125	107 20/32	10.15
11¼ 1995	106 11/32	10.20	106 15/32	10.20
11¼ 2015	109 22/32	10.508	106 17/32	10.53
Corporate				
AT & T				
10⅜ June 1990	101⅜	10.01	101⅜	10.01
3⅜ July 1990	80⅜	8.65	80⅜	8.65
8¾ May 2000	85¼	10.75	85¼	10.75
Xerox				
10⅞ March 1993	100⅞	10.50	100⅞	10.50
Diamond Shamrock				
10⅜ May 1993	99⅞	10.65	99⅞	10.65
Federated Dept Stores				
10⅜ May 2013	95.495	11.15	95.495	11.15
Abbot Lab				
11.80 Feb 2013	105.061	11.20	105.061	11.20
Alcoa				
12¼ Dec 2012	104.912	11.65	104.912	11.65

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	77–21	77–27	77–13	77–21
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.69	92.77	92.66	92.73
Certificates of Deposit (IMM) $1m points of 100%				
June	92.49	92.53	92.49	92.53
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.19	92.20	92.12	92.33
20-year Notional Gilt £50,000 32nds of 100%				
June	106–11	106–11	106–02	106–10

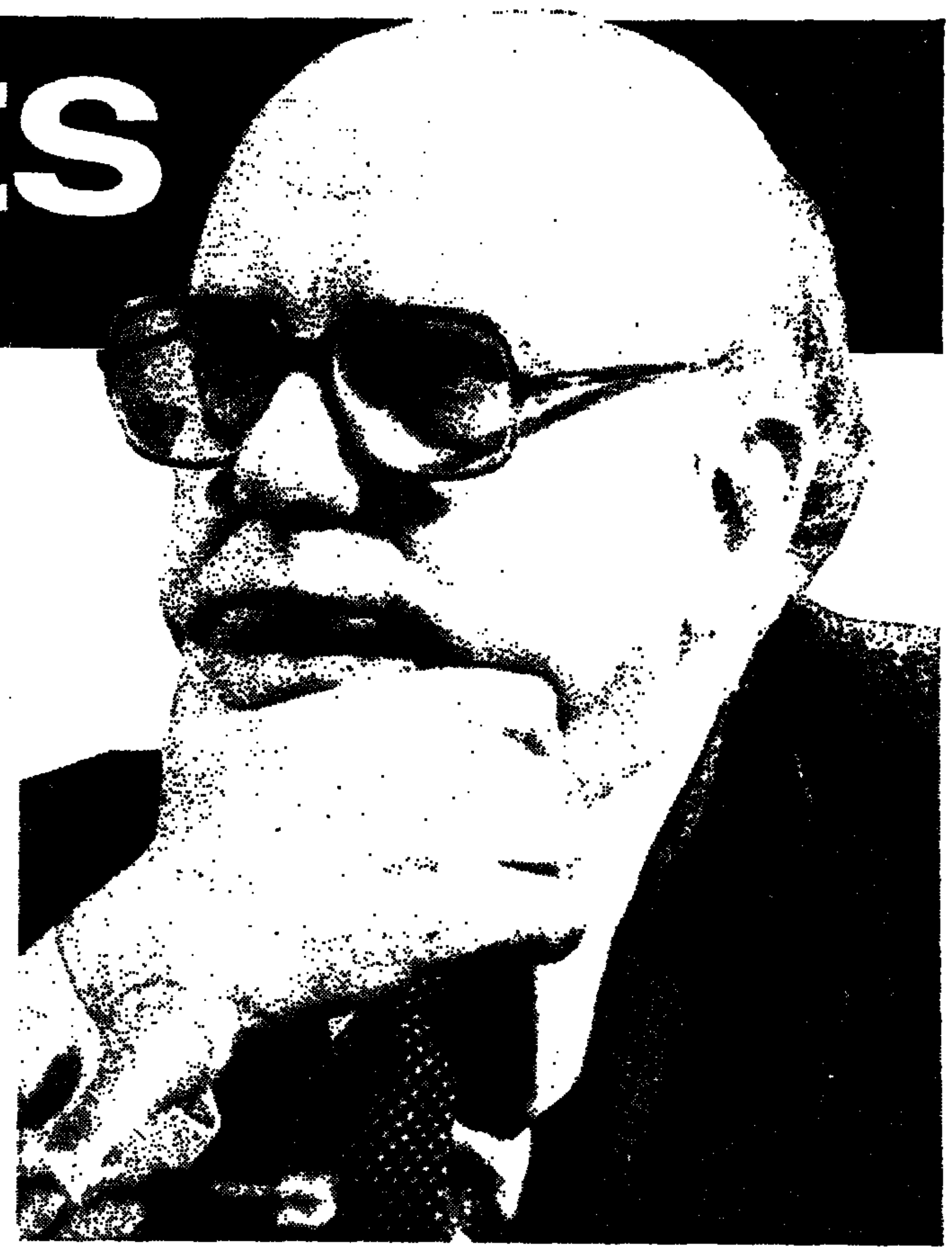
COMMODITIES

(London)	June 10	Prev
Silver (spot fixing)	482.10p	479.25p
Copper (cash)	£1,123.50	£1,113.50
Coffee (July)	£2,072.50	£2,093.00
Oil (spot Arabian light)	$26.425	$26.475

FINANCIAL TIMES SURVEY

UNITED STATES

FINANCE AND INVESTMENT



Mr Paul Volcker, chairman of the Federal Reserve Board. He has backed moves towards interstate banking

The ability of the U.S. economic locomotive to maintain its own momentum, let alone haul along the rest of the international community, is being called into question. The Reagan Administration is basing its economic strategy on proposals for sweeping tax reforms and a progressive reduction in the country's near $200bn federal budget deficit. To achieve this it will need a certain amount of goodwill in Congress. Wall Street and the rest of the world will be paying more than usual attention to the political manoeuvrings in Washington over the coming months.

Battle to engineer a soft landing

BY OUR NEW YORK STAFF

THE RAW power of American capitalism has rarely displayed itself more effectively than in 1984. The U.S. economy grew at its fastest pace for more than 30 years, 3m new jobs were created, and the U.S. dollar was propelled to record highs by a wave of foreign confidence in the U.S. system.

A great deal of this buoyancy has flowed over into 1985. Since the start of the year the major stock market indices have hit new peaks on several occasions, U.S. interest rates have sunk to cyclical lows and in the corporate sector last year's unprecedented merger boom has continued unabated.

This performance in the face of still sluggish recovery elsewhere in the world has proved a near-irresistible attraction for foreign investors and exporters alike. In a very real sense the dynamism of the U.S. economy has pulled along the rest of the world and done a lot to lessen the immediate dangers of the Third World debt crisis.

Yet today the ability of this locomotive to maintain its own momentum, let along haul along the rest of the international community, is being increasingly questioned. Even as the Dow Jones industrial average burst through the 1300 level for the first time ever last month some Wall Street pundits began warning of the risks of recession and deflation.

Indeed, whole sectors of the U.S. economy have been bypassed by last year's 6.9 per cent increase in real gross national product. Energy and agriculture, which account for a much larger slice of the U.S. economy than some foreigners realise, remain deeply depressed. Farmland prices have dropped by more than a quarter from their 1981 peak and the crisis in the energy sector has bruised the reputations of most of the high flying energy banks.

Elsewhere large sectors of manufacturing industry have been severely hurt by the dollar and a flood of cheap imports. The share of imports in total business spending on durable equipment jumped nearly 30 per cent to reach almost a quarter of the total last year. Despite the recent sharp drop in the value of the dollar, it is still trading some 14 per cent higher against the D-Mark than it was twelve months ago.

In the financial sector, last summer's near collapse of Continental Illinois Bank, the nation's eighth largest banking group, has been followed by the rescue of Financial Corporation of America, parent of the country's biggest savings bank which lost nearly $600m last year.

The subsequent runs on dozens of smaller savings banks across the U.S. underlines the fact that some parts of the U.S. financial system are in a surprisingly fragile state for this stage in an economic recovery.

There are a number of factors behind this apparently paradoxical mixture of high confidence in the U.S. economic system and the severe plight of some of its constituent parts.

Perhaps the most important of these is the way deregulation has swept through the U.S. in the last few years establishing new competitive ground rules across whole fields of industry, services and the financial sector. The change in the rules has inevitably had a widely mixed effect as companies adjust to their new situation.

On the positive side, deregulation has unleashed a more entrepreneurial atmosphere in which innovation and inventiveness have flourished.

Among the industries which have responded most vigorously to this new environment have been the airlines and transportation, banking and financial services and telecommunications. Energy deregulation has led to massive restructuring, new names and radically new ways of doing business.

In the financial services industry the new ground rules have spawned a flood of innovative products. Among these are an increasingly wide range of tradable paper, including such hybrids as collateralised mortgage obligations (CMOs), which represent a repacking of previously illiquid home mortgage loans, and certificates of automobile receivables (CARS), which at the end of the day are nothing more than old-fashioned car loans. The sale of mortgage backed securities, for example, more than tripled to over $60bn between 1981 and 1984.

On exchanges from New York to Chicago and Philadelphia, the hottest financial instruments around are new stock index futures, currency options and other financial futures whose trading volume often overshadows activity in the underlying cash markets.

Many of these new products have grown into multi-billion dollar markets almost overnight. According to Mr Gerald Corrigan, the new president of the Federal Reserve Bank of New York, the market in interest rate swaps which "hardly existed a few years ago" now exceeds $100bn.

But to the extent that these changes have created the opportunity for higher rewards, they have also led to a significant increase in the potential risk. In the airlines the new competition has already bankrupted some familiar names and brought others to their knees.

In the booming bond market the collapse of several small Government securities dealers earlier this year has demonstrated the strains of allowing the markets to expand so rapidly and with the minimum official surveillance.

For example, no one expected that the closure of ESM Government Securities, a small Florida bond dealer, would result in a massive run on a hundred small savings banks a thousand miles north in Ohio.

But perhaps the greatest paradox today is the strength of the U.S. currency. On the one hand the dollar's buoyancy reflects foreign investors' eagerness to participate in the U.S. economy and enjoy the high real returns on their investment. Last year's $71bn net capital inflow was more than double the 1983 figure, and represented about a quarter of the pool of savings available to finance net investment and the Government deficit.

On the other hand, the over

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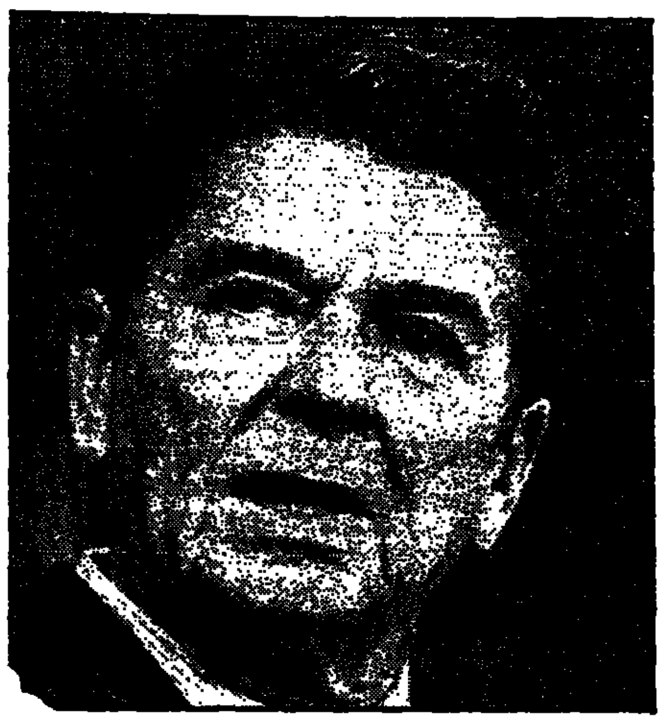
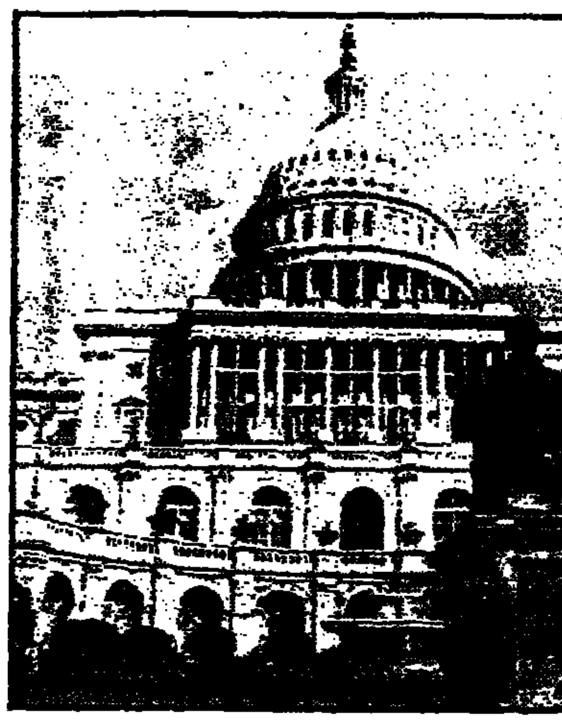
● Statistics for this survey compiled by Rivka Nachoma



President Ronald Reagan

In making changes to the tax code, Congress will need to be sensitive to effects this may have on the economy. There is a risk that, should reforms simply end up as another tax cut, much effort already expended in reducing the U.S. budget deficit could be wasted.



U.S. Capitol building, home of Congress

Major events during the past year

May 1984
Shearson/American Express completes its acquisition of Lehman Brothers Kuhn Loeb, Inc.
Continental Illinois gets a $4.5bn rescue package from the Federal Government.

June 1984
Decision is reached by Senate and House Conferees to repeal the 30 per cent withholding tax on interest paid to foreign investors in U.S. securities.

July 1984
The New York Stock Exchange begins studying the possibility of 24-hour trading.

September 1984
Citicorp announces plans to buy Scrimgeour Kemp-Gee and Vickers Da Costa, two British stockbrokerages.
Foreign investors bid a *total of $4bn for the first ever issue of* "targeted" U.S. treasury notes.

November 1984
The National Association of Securities Dealers (NASD) permits the expansion of Nasdaq national market system from 1,102 securities to 2,600.
The Equitable Life Assurance Society plans to acquire Donaldson, Lufkin and Jenrette.
The Comptroller of the Currency approves applications for 29 limited service (non-bank) banks.

January 1985
The New York Cotton Exchange announces plans to introduce a U.S. dollar index futures contract.
The Treasury offers the first zero-coupon long-term bonds under its "strips" programme.

February 1985
The SEC authorises trading in individual stock options on the *New York Stock Exchange.*
The New York Federal Reserve Bank proposes voluntary capital adequacy guidelines for Government securities dealers.
Marine Midland sells the first repackaged auto loans "CARS" to Salomon Brothers for resale to institutional investors.

March 1985
ESM Government Securities, a Miami-based trader, fails, sparking collapse of Home State Savings, in Cincinnati. In the wake of the crisis, the governor of Ohio declares the first extended savings bank holiday since the depression.

April 1985
Bevill, Bresler and Schulman Asset Management, a Government securities firm, fails leaving creditors with as much as $240m in losses, while ESM's losses are estimated at around $500m.
The SEC authorises six exchanges to trade options on OIC stocks and conditionally allows the NASD to conduct a pilot project in OTC options trading.
Paul Volker, *chairman of the Federal Reserve Board,* urges Congress to pass legislation permitting interstate banking.

May 1985
Maryland's governor limits depositors' withdrawals on the state's privately insured savings banks after a massive run on deposits. Subsequently, two banks are placed under the protection of a conservator.
E. F. Hutton *pleads* guilty to fraud that let the firm use millions of dollars in bank funds without paying interest.
First Boston announces first public offering of "CARS," securities which use automobile receivables as the underlying assets.
Prudential-Bache Securities announces its intention to buy a one-third stake in Clive Discount, a UK discount broker, as a preliminary step to forming a primary dealership in the UK gilt-edged market.
The Philadelphia Stock Exchange announces linkage with the London Stock Exchange, primarily for the trading of foreign currencies options products.
The U.S. Court of Appeals overturns a landmark Federal Reserve Board ruling that permitted *New York-based U.S. Trust Corporation* to convert its trust office in Florida to a limited service bank.

Disagreement on implications of tax reform

BY STEWART FLEMING

PRESIDENT Ronald Reagan has injected a new element of uncertainty into the U.S. economic outlook with his plans for a far reaching reform of the U.S. tax code.

There is widespread disagreement among the experts about the economic implications of the blueprint which the President presented to the country last month.

The differing interpretations are all the more difficult to disentangle because nobody can be sure yet which bits of the reform proposal will be approved by Congress and which will be felled in the crossfire from hired guns paid to lobby against specific proposals. As Republican Richard Gephardt, *a leading tax reform* advocate, puts it the U.S. is about to witness "the biggest political brawl" Washington has ever seen.

To compound the problem of assessing the economic implications of what is being proposed, there is the incalculable impact on economic activity of the added uncertainty itself. Will companies rush ahead with new investment plans in order to avail themselves of existing tax breaks or has the "*windfall*" tax on companies designed to prevent them profiting from the transition to the reformed tax system blocked off this opportunity? Will consumers respond to the fog surrounding their own tax positions by holding back from purchases?

There are no firm answers to these questions either. What is clear, however, is that large sectors of manufacturing *industry and the property* sector, the strongest and the weakest areas of economic activity at the moment, are the biggest prospective losers from the tax reform proposal, and that the proposal has been laid *on the legislative table* at a time when the U.S. economy has run out of steam and could well be poised on the edge of a mild recession.

In 1983 the U.S. economy under the impact of easier money and an expansionary fiscal policy positively shot out *of the starting blocks,* leaving the recession at the beginning of the decade as only a fast *fading* memory.

Real economic growth in 1984 hit 6.8 per cent, unemployment dropped to just over 7 per cent as over 7m Americans found jobs. Inflation, helped by a *strong dollar, rising productivity* and low wage settlements, held steady at the 4 per cent mark to which it had retreated in *1982.*

In the campaign leading up to his sweeping re-election triumph in November 1984, President Ronald Reagan was able to take credit for the economic expansion. But even in the months before Americans gave him a second term, the signs of trouble ahead were clearly on the horizon.

In the third quarter of 1984 real economic growth slumped to an annual rate of just under 2 per cent. A mild rebound in the fourth quarter coupled with virtual stagnation in the first quarter of 1985, when real economic growth hit *only 0.7* per cent, has confirmed that the vigorous expansionary phase of the cyclical upswing is now over, and recessionary tendencies are gaining the upper hand.

The most visible of these is the fast deterioration in the import and *exporting sectors of* the economy. Between 1983 and 1984 the U.S. trade deficit almost doubled, rising from $70bn to a new world record high of $123bn.

The weakness in the traded *goods sector has largely* accounted for the slower growth of the economy sice the third quarter of 1984. Industrial production has been flat since the early summer of last year and employment in *manufacturing* industry has ceased to rise. Employment gains are now coming almost entirely from the service sectors and construction.

The surge in imports has been the vehicle through which the U.S. expansion has been transported overseas. Up to half the economic growth experienced in *industrial* countries over the past two years has been due to increased exports to the U.S. Many developing countries' improved economic peformance owes much to increased exports to the U.S.

But there are now serious doubts about whether this trend *can continue. Most U.S.* economists are still hoping that in the second quarter growth will rebound and the second half of the year will see a more vigorous expansion. They base these projections partly on the *belief* that the drag of the export sector on the economy will diminish and the decline in interest rates which the Federal Reserve Board (Fed) has helped to engineer.

However the contrary view is *that* with manufacturing accounting for about 25 per cent of gross national product, corporate profits under pressure, capital spending *plans* being revised downwards and personal *income growth slowing at a* time when consumer debt burdens are becoming a problem, the weakness in sectors such as the manufacturing, farming and mining sectors *will* slowly sap the economy's vitality.

On this view the Federal Reserve's monetary stimulation, since it may not bring the value of the dollar down significantly, will only add to the distortions *in the economy, partly by* reviving domestic demand, much of which will be siphoned off abroad in the form of increased imports.

With *inflation* still subdued the Fed seems to have some room to encourage interest rates to decline even though the narrow measure of the money supply M1 is outside its target range so far this year. *It may also be drawing some* encouragement from the fact that Congress could be on the verge of making significant progress in cutting the $200bn plus federal budget deficit.

The House of Representatives and *the Senate* will be spending part of the summit trying to resolve differences between their plans for cutting up to $300bn off the deficit between *1986* and 1988.

Most economists see progress in reducing the deficit as vital *if America's excessive demands* on international savings are to be reduced and if the U.S. is to find an alternative path to the one it is currently following with the economy *buffetted* by an overvalued dollar, a dramatic plunge in the value of which could unleash new inflationary forces and drive interest rates dramatically higher again.

It is not just heavily indebted developing countries, but also hard pressed U.S. financial institutions which live in horror of another surge in interest rates.

Tossing an unpredictable and far reaching tax reform into this already unstable situation could be dangerous. But it is politics, not economics, which is driving President Reagan's tax *reform* plan.

In making changes in the tax code, however, the Congress needs to be sensitive to the economic implications of what it is doing. There is a considerable risk that tax reform could end up as just anoher tax cut. Were that to happen, much of the effort already expended cutting the budget deficit could be wasted.

Damage done by soaring imports

The Dollar

STEWART FLEMING

DURING the first Reagan administration the extraordinary surge in the international value of the dollar was seen by senior administration officials as a symbol of the virility of the U.S. *economy* and of the confidence which President Ronald Reagan had inspired in the political as well as the economic future of the U.S.

Officials were quick to stress the "safe haven" dimension to *the dollar's strength. They were* quick to contrast the vitality of the American expansion with the weakness of the economies of other industrial countries—particularly in Europe which is seen to be suffering from "Eurosclerosis" an economic malaise easier to recognise than to treat.

When attention was drawn to the pressures the strong dollar was putting on manufacturing companies who were finding it hard to compete with foreign producers both in their domestic as well as international markets, the benefits of a strong dollar were stressed.

The dollar's strength had helped to curb inflation. It was putting pressure on U.S. companies to improve the efficiency of their operations so that when the dollar did eventually decline they would be even *more formidable* competitors overseas.

President Reagan, asked earlier this year about the high dollar responded that he certainly did not want a weaker dollar, what he wanted was *stronger currencies overseas.*

It was a formulation which implicitly called on the industrial partners of the U.S. to solve their economic problems while denying that there was anything wrong with U.S. economic policy which contributed to the dollar's strength.

But even as the President was sticking to this line in public, the pressures on the Administration to give a *higher* priority to the distortions and dislocations in the manufacturing sector, stemming from an overvalued dollar, were increasing.

It came as a shock to many economists, and even more to many industrialists, when the Federal Reserve Board (Fed) eased monetary policy sharply in the latter months of 1984. But the dollar, rather than declining, strengthened.

Then the Commerce Department's data for the first quarter gross national product (GNP) exposed just how much damage the dollar's strength is doing to the economy. Largely because of the weakness of U.S. exports and the surge in imports, real growth virtually petered out.

Mr Fred Bergsten, a former senior U.S. Treasury official, describes the *problems* associated with the strength of the dollar, the huge budget deficit and the rapidly growing current account deficit as the second international debt crisis; as explosive potentially in its way as *the debt crisis* which hit developing countries in 1982 and 1983.

The strong dollar is not just accelerating a process of *industrial change in smokestack* industries in the U.S., a real "deindustrialisation" is beginning with high technology companies being hit by foreign imports.

The U.S. has become a net *debtor nation which means that* in time its current account deficit will become larger than its trade deficit, as rising interest payments to foreign *investors throws the services as* well as the trade balance into deficit.

The International Monetary Fund (IMF) has warned that unless the current *account* deficit — expected to hit almost $100bn this year — is tackled soon, by 1990 it could become self-perpetuating.

Domestically the political response to jobs being siphoned off overseas has been the beginnings of an even more virulent protectionist backlash. In Europe *some opposition parties* are beginning to suggest that the time has come to control capital exports to the United States — a response which is the mirror image of the trade protectionism in the U.S.

The threat that unless the *imbalances* in U.S. economic policies are corrected the dollar could suffer a "crash landing" are perceived to be increasing, although few are brave enough to put a *timing on the turning* point.

What is clearer, however, is that American policymakers, not just in the Federal Reserve but also in the Treasury, are now profoundly concerned about the value of the dollar. Deputy Treasury Secretary Mr Richard Darmen told a television interviewer earlier this month that he would like to *see the dollar decline.*

Perhaps the most vivid expression of Administration concern came in May when, out of the blue, President Reagan conducted a *dramatic about* turn on budget policy, conceding no increase in defence spending in real *terms* in order to help Senate Republicans pass a budget *resolution.*

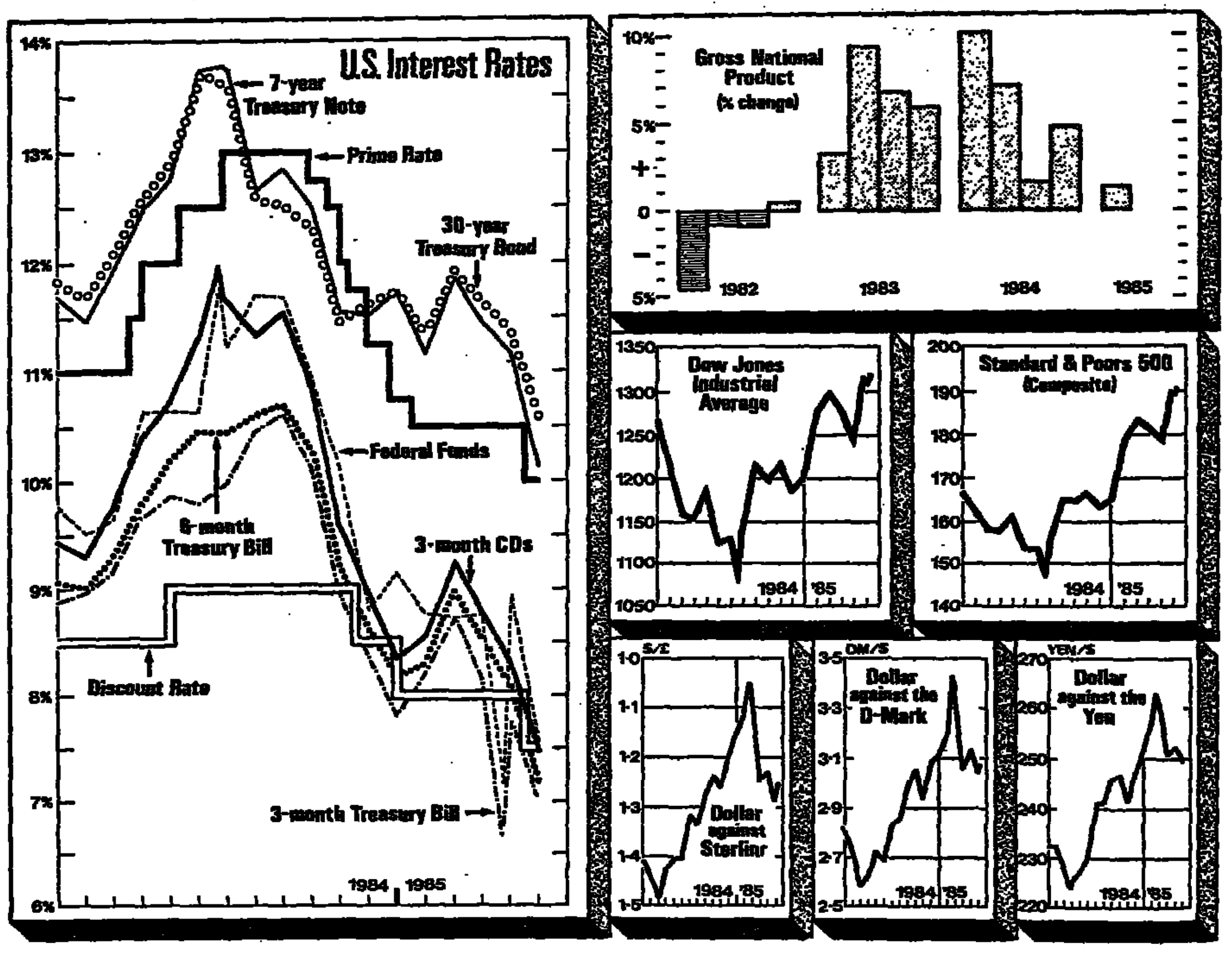
The Administration has also been pressing its industrial partners to stimulate their economies in the hope that this too will help to correct the overvaluation of the dollar. Even the President's tax reform plan, by reducing the profitability *of* U.S. investments, would, if it were enacted *in* the form Mr Reagan has proposed, tend to make the dollar a less attractive currency.

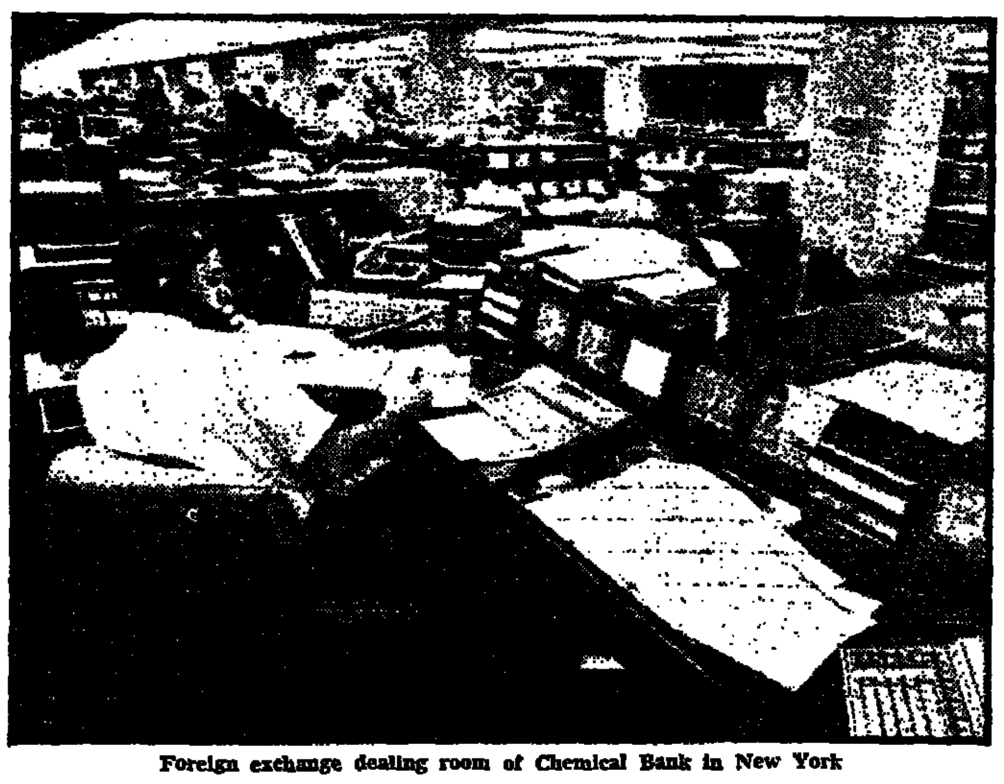
The Federal Reserve Board too is signalling its concern about the dollar's overvaluation. In a speech in New York in May, Governor Henry Wallich said that the exchange rate of the *dollar has gained weight as a* factor in the formulation of monetary policy.

The cut in the Fed's discount rate in May was linked explicitly with the *dollar's strength.* Indirectly too, with its expression of concern about the industrial sector, the Fed in its statement explaining the cut in the discount rate to $7\frac{1}{2}$ per cent indicated that the problem of the dollar was a major factor behind the shift to an easier monetary policy stance.

Mr David Hale, an economist with Kemper Financial Service *is one of many* U.S. economists who have concluded that the long bull market in the dollar is over. "The magic circle of strong growth and low inflation, financed by large *capital* inflows and a strong dollar, is eroding under the pressure of import penetration," Mr Hale says.

But whether or not the dollar correction can be accomplished without provoking new shocks *to the economies of the* U.S., other industrial countries and the developing world is a question which cannot be answered with any certainty. One most hopeful sign would be convincing action in the *conference committee of the House* and the Senate on the budget resolution this month.





Foreign exchange dealing room of Chemical Bank in New York

Battle to engineer soft landing

CONTINUED FROM PAGE 1

valued dollar is causing untold problems for large sectors of U.S. manufacturing industry. The *$107bn U.S.* trade *deficit* in 1984 bears witness to the havoc wrought by the flood of imports.

Only last month, Mr Bob Anderson, chairman of Atlantic Richfield, the sixth biggest U.S. oil company, said that many of the operations and plants which his company was closing in the U.S. would be "profitable operations almost anywhere else in the world."

Like Mr Anderson, the leaders of *many other* U.S. industrial giants are complaining bitterly about the restructuring which is being forced upon them.

Nevertheless, there are some who concede that a shakeout in U.S. *industry* was long overdue. They point to the concessions made by the higher paid union members and the shedding of obsolescent capacity in many of the older industries as the sorts of adjustments where the U.S. is ahead of Europe.

Where managements have failed to adapt to the new competitive environment, they have left the door open for an *increasingly* confident band of corporate raiders whose financial message has attracted a strong following on Wall Street.

The promise of the raiders to wring a better performance out of a target company's assets base partly explains the merger *mania which has swept across* America over the past year and a half. Yet, as with any fashionable trend, the positive aspect of the financial boom has its dangerous side as well.

There are those like Felix Rohatyn of Lazard Freres and Co who argue the flood of junk *paper to fund the hectic merger* wave, coupled with the frenzied cunning in the financial mar*kets has already led to a serious* deterioration in the quality of financial assets.

Some economists argue that the dual strain of the increased amount of low quality paper in the corporate sector combined with the soaring U.S. Government borrowing requirement could be a recipe for disaster. The doomsday scenario envisages a major financial collapse *plunging the U.S. and the world* into deep recession.

In *contrast to this* cataclysmic picture, the U.S. administration believes that all these problems are soluble with goodwill in Congress and sound management in Washington.

Its strategy, as mapped out by *President Reagan in the past few* months, is based on a combination of the most *sweeping* purposed tax reforms since the last war, and a progressive reduction in its near $200bn federal budget deficit.

Like the administration the U.S. Federal Reserve now appears *determined not* to let the U.S. slip into recession even if this puts its monetary targets at risk.

In a series of aggressive easing moves, the U.S. monetary authorities have brought this discount rate down to its lowest level for six and a *half* years, sending other U.S. short-term rates plunging and igniting a three-month-old rally in the bond markets.

Yet, despite the action of the Fed, most people believe that U.S. real *interest rates still* remain exceptionally high, that the U.S. dollar remains chronically overvalued, and the U.S. budget deficit is running at an *unsustainable* level.

The Federal Reserve Bank of New York argues *in its latest* annual report that a reduction of all three is crucial if the U.S. and the world is to engineer a soft economic landing.

Wall Street and the world will be paying *more* than *usual* attention to the political manouevrings in Washington over the coming months.

How Morgan helps multinationals succeed in the United States

Incorporated with limited liability in the U.S.A.

Officers in Morgan's European and Canadian Corporate Banking Department regularly discuss market developments. Shown in New York, from left, are: Hanjo Roosen, Kimberly Perkins, Robert von Tobien, Edmond Carton, Seija Hurskainen. Standing: Harvey Struthers, John Comfort, and William Holding, department head.

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U.S. FINANCE 4

In a bullish frame of mind

Wall St. Firms

TERRY BYLAND

THE WALL STREET securities houses, like the equity market itself, are emerging from a difficult trading period and facing the second half of 1985 in a bullish frame of mind. Results for the first quarter showed a positive recovery from the mauling suffered last year, when the industry's after-tax return on equity dropped to 7.2 per cent, its lowest level for eight years.

Now, with both equity market turnover rising strongly and investment banking activity fuelled by substantial new issue raisings, the outlook for the securities houses is bright.

The industry can expect to benefit significantly if long-term interest rates are indeed headed downwards. However, the divisions between the wholesale firms, which aim to increase their banking and institutional links and the retail brokerage houses which are more closely tied to equity market turnover, has increased and is likely to continue increasing.

The battle with the discount brokers, which once seemed a mortal threat to Merrill Lynch and the other full-line brokers, is settling down. Market studies have suggested that trades are better executed at full-service rates and that retail brokers may be better off leaving the very small customer to the banks, which act as feeders for the discount brokers.

At the same time, the much-publicised deterioration in institutional rates appears to have slackened, as the major portfolio managers also realise that third party brokers have limited appeal for them.

Commission income, however, is likely to be down again in the second quarter of the year. Retail investors were cautious in April and most of May, and market volume was around 13 per cent under first quarter totals.

Under these circumstances, some retail brokers are finding profit margins under pressure as their clients sit on their hands, or put their money into short-term money market instruments. When business recovers, it seems likely to concentrate itself even more in the hands of the big retail houses, like Merrill Lynch.

The New York houses have geared themselves up strongly for this business.

Thus, while Wall Street believes that its own profits will show a substantial recovery this year, it does not believe that the jam will be spread evenly. The strongest members of the industry are expected to make the best progress over the next two years. First Boston, Merrill Lynch and Paine-Webber are all tipped to turn in substantial profit gains this year and next.

Top 25 underwriters and managers of underwritten issues 1984 (Ranked by $)

	Public offerings $	Issues underwritten	Underwritten issues with full credit to book manager $	Rank	Issues Managed
Salomon Brothers	11,996.6	509	21,222.3	1	186
Drexel Burnham Lambert	8,360.3	545	10,484.8	2	182
Merrill Lynch Capital	8,279.6	583	8,622.2	4	126
First Boston	7,039.7	492	10,020.6	3	129
Goldman Sachs	6,200.4	481	7,908.8	5	97
Shearson/Lehman Bros.	4,817.9	515	6,688.9	6	94
Morgan Stanley	3,565.9	332	4,896.6	7	58
Kidder, Peabody	2,645.8	509	1,932.3	8	45
Prundential—Bache	2,626.3	548	1,776.9	9	34
Dean Witter Reynolds	2,554.6	506	979.6	11	24
Bear, Sterns	2,221.2	523	847.8	12	24
Paine Webber	2,113.3	522	1,677.3	10	33
E. F. Hutton	1,565.9	500	857.6	14	17
Smith Barney Harris UP	1,316.7	489	715.8	13	24
Donaldson Lufkin Jenre	1,289.5	454	128.0	22	9
L. F. Rothschild Unterbe	1,197.4	513	191.3	20	12
Dillon, Read	1,136.8	378	459.7	15	6
Lazard Freres	943.5	385	340.4	16	6
Wertheim	797.6	400	—	—	—
Alex. Brown and Sons	606.8	428	329.7	17	13
Thomas McKinnon	514.2	420	—	—	—
A. G. Edwards and Sons	342.5	425	—	—	—
Oppenheimer	316.6	381	—	—	—
Edward D. Jones	273.8	61	291.9	18	27
Keefe, Bruyette and Woods	261.9	63	—	—	—
Wheat, First Securities	—	—	257.5	19	15
Bacon Stifel Nicolaus	—	—	142.9	21	12
Blunt Ellis and Loewi	—	—	92.7	23	8
Piper, Jaffray and Hopwood	—	—	74.9	24	8
First Jersey Securities	—	—	73.7	25	11

Top 20 securities firms, ranked by capital ($m.)

	1984 Capital	1983 Capital	1983 Rank	Offices	Employees	Registered Representatives
Merrill Lynch and Company	2,214.6	2,023.7	1	1,085	42,232	11,415
Shearson Lehman Brothers	1,896.0	1,056.6	3	354	15,393	5,359
Salomon Brothers Holding	1,731.8	1,268.7	2	10	3,293	843
E. F. Hutton Group	1,019.9	746.5	5	413	16,842	6,696
Dean Witter Financial Services	1,237.0	964.7	4	645	18,840	7,031
Goldman Sachs and Company	859.0	712.0	6	16	3,903	961
First Boston	659.0	424.4	9	17	2,709	884
Prudential Bache Securities	617.9	439.4	8	331	12,870	5,055
Paine Webber Group	572.4	449.6	7	283	10,978	3,955
Drexel Burnham Lambert Group	561.2	407.4	11	60	6,543	1,750
Bear, Sterns and Company	500.0	420.0	10	12	3,920	1,130
Morgan Stanley and Company	355.3	274.4	13	7	3,084	959
Stephens, Incorporated	320.1	275.6	15	1	195	106
Donaldson, Lufkin and Jeurette	310.9	337.9	12	25	3,600	500
Thompson McKinnon Incorporated	243.5	214.1	18	154	4,264	1,983
Kidder, Peabody and Company	242.6	227.8	17	74	5,765	2,038
Smith Barney Incorporated	207.0	203.0	19	104	5,400	1,950
Spear, Leeds and Kellogg	205.0	203.0	19	10	1,124	145
A. G. Edwards and Sons	176.1	174.3	21	258	4,385	2,231
Van Kampen Merritt Incorporated	170.6	50.8	43	8	221	106

A blurring of demarcation lines

Futures/Options

BARRY RILEY

AN AMAZING proliferation of new products is pouring out of America's futures and options exchanges. At the same time, many of the nation's traditional stock exchanges are moving into this explosive growth area, setting up offshoots trading in futures and options—contracts which often have no connection with the stocks and bonds normally traded on these markets.

"Exchanges all want the ability to trade everything," points out Mr Tom Donovan, chairman of the biggest U.S. futures exchange, the Chicago Board of Trade (CBOT). "There's a blurring of the lines today."

The turmoil in the markets is putting considerable pressure on the two relevant U.S. regulatory agencies, the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC).

Although several years ago the heads of the two Commissions attempted to divide up the grey area between their two jurisdictions through the so-called Shad-Johnson accond, the markets are rapidly moving in a direction which threatens to render the regulatory framework obsolete.

An example of the topsy-turvey developments in the industry is that the Chicago Board Options Exchange (CBOE) has applied for recognition by the CFTC so that it can trade commodity-type contracts (though it has its sights primarily on financial contracts of a kind regulated by the CFTC).

Yet it was little more than 10 years ago that the CBOE was spun off by the CBOT so that it could develop a business in stock options of a kind -regulated by the SEC. Now the CBOE is turning around to compete with its former parent.

At the same time, the CBOE is asking its existing regulatory agency, the SEC, for permission to trade stocks. It therefore theratens to move into stocks just as stock exchanges like the New York Stock Exchange have already moved into the options and futures business. And Mr Donovan comments that "we've considered the CBOT becoming a securities exchange for the past few years."

Head-on clashes between exchanges are therefore likely to become much more common in the next few years. One confrontation that is currently under way follows the somewhat surprising decision of the SEC to throw open trading in options on over-the-counter stocks. As many as four exchanges rushed to launch rival options contracts on the most attractive OTC (Over-the-Counter) stocks.

In the past the SEC has been careful to allocate stock option contracts individually to a single exchange. Certainly the exchanges are conscious that the market in any individual contract is likely to gravitate to one particular centre where the liquidity is greatest.

But in this case the New York Stock Exchange, the American Stock Exchange and the CBOE are all in the field, and the OTC market itself, the National Association of Securities Dealers, could join the competition in a few months time.

Mr Ivers Riley, in charge of options trading at the NYSE, is ready for the scrap. "The history of these rival contracs has been that a year later nearly 100 per cent of the order flow is at one market or the other," he says. "It's going to be a very interesting test-tube experiment."

But new opportunities opened up in this way by the regulators are fairly rare. More commonly, the markets have to generate their own ideas for new contracts. It was a search that took the Chicago futures markets, the CBOT and the Chicago Mercantile Exchange, explosively into financial contracts in the 1970s.

Mr Tom Coleman, of the CBOT's economic analysis department, has the responsibility for developing new contracts. "Prior to 1970 the idea of new product development in the futures industry was the launching of one new product a decade," he says.

But he points to a remarkable acceleration through the 1970s an dearly 1980s. "It looks now as though we may be escalating into a new period in the last year when we have developed and launched more like five to ten products each year."

He suggests that one reason is that the spread of futures contracts out of the commodities areas has exposed more people to their potential benefits and generated a broader interest. "Three's a lot of hedgeable risk out there," he comments.

His opposite number at the CME is Mr Paul Burik, whose current submissions for approval by the CFTC include contracts based on ECUs, an OTC stock index and zero coupon bonds.

Like others in the industry he is now weighing up the potential of contracts which reflect economic risk—quantity contracts rather than the price-based contracts which have been familiar up to now.

"It's an entirely new arena. That may be the next frontier," he speculates.

So far, however, the big Chicago markets have left it to the New York exchanges to experiment in this area. Thus the Coffee Sugar and Cocoa Exchange is about to launch a CPI-W futures contact designed as an inflation hedge based upon the official Consumer Price Index for wage earners.

The CSCE's senior vice-president, Mr James Bowe, says that his exchage has bee nseeking to produce a facility where people can hedge economic risk. The index was chosen after studies of over 25 alternative measures of economic activity including statistics such as housing starts and car production.

The hope is that the investment idustry will be able to use the contract to formulate savings products which offer a guaranteed real interest rate which is not otherwise obtainable in the U.S.

Rival market analysts, however, are sceptical of the possibility of running an active market when the index is only produced once a month. "You can't hedge in a market that doesn't trade," a Chicago observer comments.

The need to leunch new contracts such as the CPI-W arises partly from the weakness of many more traditional types of business. The sugar futures market, for example, has gone into serious decline, and agricultural and metals contracts have also been suffering from the appearance of chronic surpluses in basic materials.

On the CME (Chicago Mercantile Exchange), for example, volume in agricultural futures in calender 1984 fell by anywhere between 15 per cent in live cattle to 40 per cent in feeder cattle. But overall there was growth of some 18 per cent because of swelling business in financial futures and options on futures.

For the first four months of 1985, CME volume climbed by more than a fifth and the rather bigger CBOT showed growth of just over a tenth — making 25.3m contracts in January-April against the CME's 18.3m.

Nevertheless, trading conditions are said to be such that market professionals are being squeezed.

Now thoughts are turning to developing the international possibilities of futures and options trading. The Philadelphia Exchange, with its thriving business in traded currency options, has linked with the London Stock Exchange and the aim is to achieve "fungibility" which means that a position established in one market can be unwound in the other.

Such a relationship has already been forged between the CME and the Singapore futures exchange SIMEX. But officials at the CBOT dismiss the CME-Simex deal as being "very expensive."

The CBOT is moving in a quite different direction, with the objective of using its existing facilities to provide a service for foreigners in their own daylight hours. If grabbing more business entails going on to the night shift, Chicago will do it.

Promise of even greater price volatility

Credit Markets

PAUL TAYLOR

OVER THE past year the pace of innovation in Wall Street's capital markets has reached fever pitch. The investment banking community has spewed out new products at a bewildering pace, driven by a wave of inventiveness which shows no signs of abating.

The need to innovate in response to competitive pressures and a changing—more international—market place has become such that some bankers are themselves beginning to question the wisdom of such helter-skelter product generation.

Among Wall Street's recent creations are a slew of strange-sounding products like "CATS," "TIGRS," "CMOs" and "CARS," many based on previously illiquid assets, together with interest rate swaps, "junk" bonds and a whole fresh raft of financial futures, options and index instruments.

Even the U.S. Government, faced with the need to fund a $200bn-plus deficit, has got in on the act. In the wake of last year's repeal of witholding tax for overseas investors it has launched bearer bond-style targeted notes, aimed at foreigners, and introduced its own officially sanctioned stripped-down zero coupon Treasury securities through its "Strips" programme.

Competition within the market place has resulted in the emergence of major new products and markets which did not exist a few years ago. For example, collateralised mortgage obligations (CMOs) represent the "securitisation" of mortgage loans which were not previously tradeable. Since First Boston pioneered the CMO in June 1983 the market has grown to around $20bn.

The success of CMOs has in turn led to the creatiton of other new securities such as Certificates of Car Receivables (CARS), launched privately in February through a deal between Marine Midland and Salomon Brothers, and publicly last month.

In January when the Treasury launched its "Strips" programme—allowing the separate trading of selected bonds and interest payment coupons through the electronic book entry wire system — it was taking a leaf out of Wall Street's book.

Salomon Brother's stripped down zero-coupon Certificates of Accrual on Treasury Securities (CATS) and Merrill Lynch's Treasury Investment Growth Receipts (TIGRS) became almost overnight hits after their launch in August, 1982.

Over the past two years the markets have swallowed over $50bn in treasury paper repackaged this way. Recently the Chicago Board of Trade announced plans to trade zero-coupon treasury bond futures.

Other examples of credit market innovation include interest rate swaps, which revolve around the ability of one borrower to raise funds in one market more cheaply than in another, and the commercial paper market, once open only to the highest rated corporate borrowers.

The U.S. commercial paper market has exploded from a $15bn market in 1960 to over $200bn in outstandings today.

But the rapid expansion of some of these markets has already exposed the potential dangers — particularly at the loosely monitored fringes.

Nowhere is this more apparent than in the booming Government bond market. On an average day the trading volume of the major bond dealers alone in the U.S. totals $60bn, up from just $25bn four years ago.

When two small Government bond dealers, ESM Government Securities and Bevill, Bresler and Schulman Asset Management, failed earlier this year the repercussions were felt throughout the financial system. Both had been active in the complex Government bond repurchase and reverse repurchase market.

As a result there have been renewed Congressional calls for closer supervision of these markets. Already the Fed has announced new voluntary capital adequacy guidelines for Government securities dealers aimed at encouraging more conservative management of risk. Later this month the Federal Reserve Board (Fed), the U.S. Securities and Exchange Commission (SEC) and the Treasury are due to report on what additional restrictions and monitoring arrangements, if any, they believe are necessary.

More cracks might have emerged but for the credit markets' recent star-spangled price performance. The recent sharp rally in the U.S. credit markets has been spurred by signs of a weakening economy, moderating credit demands, commodity price disenflation and the accommodative response of the Federal Reserve Board.

Last month's discount rate cut to 7.5 per cent took the rate down to its lowest level since August 1978, while the benchmark bank prime corporate lending rate at 10 per cent is standing at its lowest level for six and a half years.

Aided by the significant shift in Fed policy beginning last autumn, all money market rates have plunged. Most short-term money market rates are now trading at or below their late 1982-83 cyclical troughs.

At the long end, the 30-year Treasury bond yield, after peaking at 14 per cent at the end of May last year, has plunged to around 10.70 per cent.

For investors the credit market rally has proved a real bonanza. In terms of price alone long treasuries have gained over 25 per cent in 12 months, while the total return on Shearson Lehman Brother's Treasury Bond Index has risen by 40.56 per cent, compared to around 30 per cent for equities.

Meanwhile, the recent sharp rally, coupled with somewhat less aggressive pricing in the Euromarkets in the past few months, has spurred a flood of new corporate issues paced by offerings of intermediate maturities.

Since the start of the year around $30bn in new corporate fixed income securities have been brought to market, a 25 per cent increase over the same period last year. And the current $80bn in potential offerings sitting on the rule 415 shelf suggests that the record breaking pace could continue.

Nevertheless, the market faces a number of key uncertainties. Among these are the performance of the economy in the second half of this year, the dollar exchange rate, where a sharp break could provoke a sell-off by foreign portfolio holders, the prospects for meaningful Congressional action on budget deficit reduction and, perhaps the biggest wild card, the Fed's monetary stance.

Taken together these factors appear to promise even more price volatility in a market where the risks and rewards are already enormous and likely to become even more pronounced as competition and product innovation continue apace.

All commercial banks—loans and leases*

	Total loans and leases $bn
January 1984	1,142.4
February 1984	1,181.2
March 1984	1,196.3
April 1984	1,213.2
May 1984	1,232.0
June 1984	1,243.2
July 1984	1,256.7
August 1984	1,264.2
September 1984	1,275.0
October 1984	1,284.3
November 1984	1,300.6
December 1984	1,314.7
January 1985	1,321.4
February 1985	1,335.2

* Excludes loans to commercial banks. Seasonally adjusted.

Commercial bank paper outstanding $ (Seasonally adjusted)

	All issuers	Financial total	Dealer-placed total	Directly-placed financial	Non-financial companies
January 1984	186,313	141,079	42,584	98,495	45,234
February 1984	191,004	147,355	44,749	102,606	43,649
March 1984	202,821	153,056	45,635	107,421	49,765
April 1984	210,865	157,653	48,277	109,376	53,212
May 1984	214,431	161,146	50,355	110,791	53,285
June 1984	218,898	160,127	51,101	109,026	58,771
July 1984	221,431	160,223	51,157	109,076	61,198
August 1984	221,174	159,530	50,900	108,630	61,644
September 1984	225,127	160,080	52,543	107,543	65,047
October 1984	228,194	159,906	54,527	105,379	68,288
November 1984	235,363	164,595	55,176	109,419	70,768
December 1984	239,117	167,391	56,917	110,474	71,726
January 1985	245,322	172,814	59,713	113,101	72,508
February 1985	247,095	175,010	60,186	114,824	72,085
March 1985	250,575	178,924	60,895	118,029	71,651

In a period of transition

Exchanges

BARRY RILEY

ONE DAY last August there were 236.5m shares traded on the New York Stock Exchange, an all-time peak. A few days later the exchange topped the 200m mark again.

According to an official of the NYSE: "In two days we did virtually what back in the middle 1960s would have been a whole month's worth of volume, without any hitches in the system."

That trading capacity is the result of $100m worth of investment in technology in the past nine years, and in fact there is plenty of room for further growth because the systems have been successfully tested at a daily volume of over 400m shares.

But for 1984 as a whole, volume on the NYSE was up only a modest 7 per cent or so, and for all its apparent strength the Big Board faces the need to adapt rapidly to a constantly evolving market place.

Pointers to its changing attitudes include the decision last year to open for the first time on Presidential Election day, and the current discussions on a possible merger with the Pacific Stock Exchange.

There is talk of extending the trading hours by perhaps half an hour at each end of the day, and rather more nebulous suggestions of global 24-hour trading.

In their joint statement in the recent annual report the chairman, Mr John Phelan, and the vice-chairman, Mr William Ellinghouse, declared: "The Exchange is a company in transition."

The smaller U.S. stock exchanges have been much more obviously affected by the changing environment. For them, the biggest challenge has been the mushroom growth of the over-the-counter market NASDAQ (the National Association of Securities Dealers Automated Quotations).

NASDAQ is now the third biggest securities market in the world behind the NYSE and the Tokyo Stock Exchange. In response to the competition, other U.S. markets have been forced to diversify, so that the Philadelphia Exchange has focussed heavily on traded currency options and the American Stock Exchange relies for much of its business on stock options.

Developments in technology have been the key to the growth of NASDAQ, which has become a nationwide electronic market. The role of the Securities and Exchange Commission has also been crucial in encouraging improvements in standards of trading, leading to a transformation in the status of the OTC market.

While the growth of NASDAQ may have been irritating to the NYSE at times, the New York market remains four or five times as big in volume terms, and its problems lie much more in the changing structure of the U.S. corporate sector as a whole.

> There is a risk that greater competition between exchanges could erode standards

Big old companies are being taken over, broken up or are just dying on their feet, and despite a strong marketing push the NYSE has not been able to run fast enough to keep its numbers of listings up.

In 1984, the NYSE secured 84 new listings, the second best figure in its history. But in the same year it lost 91, for a net decline of seven. At the year end, 1,511 common stocks were listed.

The exchange's executive vice president in charge of marketing, Mr Richard Grasso, puts it like this: "The carnage that has come as a result of mergers and acquisitions and leveraged buyouts has caused this institution to become much more aggressive in terms of its quest for new business."

One response back in 1982 was to solicit initial public offerings, of which there had been none on the NYSE since 1964. In the past two years, in sharp contrast, 27 companies have become listed on the exchange through IPOs.

But the bigger opportunity now lies overseas. Within the U.S., the NYSE can only identify 275 companies, being traded on the Amex or NASDAQ, which would qualify for listing on the Big Board. In contrast, there are estimated to be around 400 potential candidates abroad.

What is more, there are absolutely no domestic replacements for the likes of Gulf Oil. Such big companies are only to be found outside the U.S. "That is where we focus our real long-term growth opportunity," says Mr Grasso.

So far, however, the NYSE has not made much headway, despite one or two prominent British captures like ICI and British Telecom. Excluding Canadians, the NYSE has only about 20 foreign listings so far.

The exchange faces regulatory hurdles. Its requirements for listing are more stringent than those of any other exchange inside or outside the U.S. Foreign campanies are inhibited by the need to become fully registered with the SEC — with onerous commitments such as quarterly reporting and the provision of segmental data — while several major domestic companies such as General Motors and Dow Jones are scheduled for delisting because of the exchange's ban on dual class capital.

There are indications that the SEC is becoming more flexible in its approach to foreign listings. As for dual class capital, the NYSE has conducted elaborate opinion-gathering exercises among its members and users and is likely to apply to the SEC for a relaxation of the rules.

The SEC will not wish to damage the prospects for the NYSE. At the same time, the commissioners are bound to be concerned about the risk that greater competition between exchanges, both domestically and internationally, could lead to an erosion of standards.

But the trend towards internationalisation is becoming well-established. Some of the NYSE's biggest member firms are prominent in the development of an unofficial 24-hour global market in perhaps 200 international grade equities which moves from Tokyo to London to New York on a follow-the-sun basis.

The NYSE has been conducting serious discussions with London and other foreign stock exchanges in a bid to ensure that this global trading is captured by the existing market places.

The NYSE is looking for links with all the major exchanges around the world, though the precise nature of any future relationships remains unclear. To begin with, the exchanges are likely to consider co-operation in the development of technology, leading to electronic interfacing and perhaps to some kind of affiliation.

Even within the U.S. the talks with the Pacific exchange are notable, because the NYSE has never been involved in any similar merger before. Having a presence in another U.S. time zone is seen as being important, and there are benefits expected in getting closer to the Pacific Basin.

It is not clear whether the merger will actually go through. But such proposals show just how radically the stock excanges in the U.S. are being affected by changing technology and by the scope for diversification into the burgeoning new fields of futures and options trading.

Mixed pattern against uncertain backcloth

Equities

TERRY BYLAND

THE most recent phase of the stock market has certainly lent support to the old Wall Street saying that, "bull markets climb a wall of worry."

Encouraged by substantial falls in interest rates, including the Federal Discount Rate, and by repeated indications that the U.S. economy is slowing down, the stock market has pushed through to new peaks.

The process has become self-igniting as reduced returns from the bond market have encouraged the institutions to move more cash into equities.

Yet the advance has often been fitful, with sudden upswings bringing equally swift corrections as the market shied off the implications for corporate profits of the economic slowdown.

The scaling of the Dow 1300 mark seems a slightly hollow achievement for a market which almost broke through it four months ago, and has had two runs at it this year. After two cuts in the Federal Discount Rate, Wall Street seems to agree with Mr Paul Volcker, chairman of the Federal Reserve Board (Fed), that several major sectors of U.S. industry are lagging behind in the economic growth league table.

Nervousness over the trend of corporate profits as the economy slowed appeared to be confirmed when IBM, the computer company, disclosed its first decline in quarterly profits for more than three years. But the market brushed aside a more recent warning from IBM that a "slight decline" in earnings is probable in the second quarter.

In the early months of the year, stock markets were held back by a widespread downgrading of profit forecasts by brokerage analysts.

The full round of corporate results for the first quarter confirmed Wall Street's nervousness, and the market abandoned its attempt to move forward during the first weeks of the new year.

Against this uncertain backcloth, equities have shown a mixed pattern, with some sectors easily outperforming others.

The best performers have been the major New York banks, with the rest of the financial sector following close behind, until the problems in the thrift industry cooled the buyers of savings and loan issues.

Bank stocks have risen by more than a fifth since the turn of the year, extending gains already chalked up in the final quarter of 1984. Financial issues were quickly marked out by Wall Street as immediate beneficiaries of the slackening in inflationary pressures.

The banks, in addition, benefited from their success in postponing cuts in their own prime rates for some time after falling money market rates had reduced their own cost of funds.

First quarter results from the banks indicated their success in improving their funding spreads and it now seems that they have been able to repeat the coup in the second quarter. At the same time, the fear of an outright repudiation of debt by any major foreign debtor seems to have receded.

Bank stocks have featured in brokerage recommendations since the beginning of the year, and bouts of profit-taking have proved short-lived. But yields on bank stocks have now returned to around 120 per cent of the yield on industrials, which is regarded by the analysts as the traditional picture. Any further advance in bank stocks may require a substantial reduction in Latin American debt risks.

There have been weak spots, however, among the Texan banks which have been unsettled by loan problems at some major names.

Also strong in the financial sector have been insurance stocks, they too more than 20 per cent up as underwriting experience has recovered. However, the upturn in both bank and insurance stocks smacks of recovery from extremely depressed levels rather than a genuine brightening of prospects.

Retail and food and beverage issues have also done well as U.S. consumer spending has continued to hold up strongly. There have been soft spots among the major New York department stores which appear to be suffering from a structural downturn in business as customers turn to the discount and suburban outlets.

The most surprising performance has come from the oil sector, where stocks have risen by well over 10 per cent

The driving force behind stock prices has been the bid predators, whose bewildering array of tactics has kept the sector on the boil. Now, with the Unocal board demonstrating that bids can be fought off, speculation has switched to stocks in companies likely to follow Atlantic Richfield's lead by restructuring assets to the immediate benefit of stockholders.

The market laggards have included the industrial casualty areas, such as steels and farm equipment stocks, and some more recent soft spots like railroad issues

Despite the strength of the North American housing markets, forest product groups have been slow movers.

The overall outlook for equities is likely to strengthen further, as the upward rush in the bond market may be reaching its peak. But that does not mean that every sector of the stock market will move up at the same rate as the market indices.

The uncertain outlook for corporate profits, alone, means that investors will have to pick their stocks carefully in the second half of 1985.

In the grips of a merger mania

IT SEEMS as if the corporate finance departments of Wall Street's investment banks have never been busier, as they cope with the surge of takeovers, mergers and leveraged buyouts which have been sweeping through the U.S. economy for the past two years.

According to W. T. Grimm, a Chicago firm which has been tracking U.S. merger activity for years, some $122.2bn was spent on mergers and acquisitions last year—up two thirds on the year before.

Of course, the figures were inflated by a handful of mega-mergers such as Chevron's $13.2bn acquisition of Gulf and Texaco's $10.1bn purchase of Getty Oil.

But there were another 16 deals worth $1bn plus, last year, and in the first few months of 1985 the pace has accelerated, if anything. It is hard to believe that until 1975 there had been only one billion dollar corporate acquisition—Xerox's purchase of Scientific Data Systems in 1969.

The last time corporate America went on a buying spree of anywhere near the same scale was in 1981 when deals such as Dupont's $8bn purchase of Conoco and U.S. Steel's $6.6bn takeover of Marathon hit the headlines. But the merger mania which gripped Wall Street then, pales by comparison with the activity of recent months.

Scarcely a week goes by without news of a massive corporate deal or another daring bid by a corporate raider. Household names in corporate America ranging from CBS to TWA have come under attack from people who a year or two ago would have been laughed out of court.

While it is the exploits of the corporate raiders which have caught the world's attention, several of America's better managed companies have returned to the takeover trail. General Motors, General Electric, IBM, Dun and Bradstreet have all announced major strategic acquisitions costing upwards of $1bn apiece over the past year. Allied's recently announced $5bn plus acquisition of Signal highlights the trend.

Plenty of reasons have been given for the surge in activity. Despite the rise in U.S. share prices over the last year, Wall Street still values some well known companies well below their break-up value.

Buying a company can still be a lot cheaper than building new plants and the current administration in Washington is taking a much more relaxed view than its predecessors about the dangers which might lie ahead from the current merger craze which is gripping U.S. corporations.

The U.S. Federal Trade Commission and the Department of Justice no longer seem to present the insurmountable obstacles to the mega mergers which they once did.

But the final, and most controversial factor, behind the current wave is the emergence of a new breed of corporate predator and Wall Street adviser. There was once a time when Wall Street investment bankers refused to work for companies planning hostile bids and would-be purchasers had to demonstrate that they had the financial muscle and management track record to undertake a takeover.

With one or two exceptions this is no longer the case. The most significant change is that it seems much easier to raise finance these days than it was just a few years ago. This is reflected in the willingness of international banks to lend money now and ask questions later; and in the "junk bond" boom, corporate raiders can now raise billions of dollars at short notice to prove they mean business.

The merger wave has been a bonanza for many Wall Street advisers but it has also raised questions about their role in these mega deals. Drexel Burnham's commanding position in the "junk bond" market has meant that it is increasingly being regarded as a hostile raider itself because of its ability to raise huge sums.

In the case of Phillips Petroleum and Unocal, two oil companies which have been under attack by clients of Drexel, the latter has also had to sign standstill agreements under which the raider agrees not to make another attack for several years in return for compensation which in Phillips' case was substantial.

Meanwhile, companies like Phillips and Unocal have agreed to reward their advisers much more handsomely if they succeed in remaining independent. This raises the question of whether these advisers should be working for a company's shareholders or its entrenched management.

No one is denying that the presence of these corporate raiders and their advisers is helping shake-up sleepy managements and this is good for the U.S. economy. But beyond that there is a growing concern that perhaps the current excesses outweigh the benefits.

Mr Ed Hennessy, who heads Allied and is no stranger on the takeover trail, is extremely critical of the current breed of corporate raider. "They are actually speculators who take takeovers as a means of creating lucrative markets for large blocks of stock they want to unload," says Mr Hennessy. He believes that the practice of forcing managements to buy back their shares at a premium, a practice known as "greenmail," is no different than robbing a company's shareholders.

There were more than 50 cases of "greenmail" last year and it has been estimated that $3.5bn was paid over.

On the other side, companies have been forced to take a number of defensive actions to protect themselves from the current merger mania. Several of these moves, such as the adoption of "shark repellants" and "poison pills," have raised questions whether the price companies are paying to stay independent at all costs is too high.

A particularly worrying development associated with the current surge in takeovers and leveraged buyouts is the scale of debt which companies are taking on board to fulfil their ambitions.

Several officials in the Federal Reserve and the U.S. Securities and Exchange Commission have already voiced fears that the "leveraging-up of America" will magnify the consequences of the next recession or produce a significant rise in interest rates. When the current merger euphoria subsides — and there are signs that it is already abating—corporate America and its bankers may wake up to find that it has inherited an unhealthily large debt burden.

A particularly worrying development associated with the surge in takeovers and leveraged buyouts is the scale of debt which companies are taking on board to fulfil their ambitions.
William Hall reports.

Giving raiders food for thought

Defensive Strategies

TERRY DODSWORTH

MR FOWLER of Fowler's Modern English Usage would never have been able to tolerate the reckless mixture of metaphors now current on Wall Street. But in the vivid language of the takeover game, full of references to man's predatory instincts and destructive talents, it is now quite possible to avoid a "bear hug" by offering "greenmail," launching a "Pac-Man" defence, or, in an even more confusing manoeuvre, taking an "exploding poison pill."

Most of these terms refer to defensive strategies against the new type of financial raiders who have marched on to the takeove rscene in the past few years. Although many of the mechanisms have not been particularly successful, the more sophisticated recent variety are certainly giving the raiders food for thought. They include:

Greenmail: Perhaps the most widely-used, but also most maligned defensive deivce, greenmail (a mixture of the words blackmail and greenbacks) occurs when a company buys out a large, hostile shareholder by offering him a premium for his stock. Efforts to stop greenmail advanced as far as Congress last year but now appear to have been abandoned.

White Knight: A friendly firm brought in by the company under attack to avoid a hostile bidder. Part of the success of the raiders has been in flushing out White Knights, whose takeover offers have generally given the hostile bidders a profit on their holdings.

Pac-Man Defence: A variant of the "best form of defence is attack" theme, in which the target company launches a counter-offer against the bidder.

Staggered board: Many companies have introduced staggered terms for directors so that it is difficult to throw out all the boardroom at once. This is a defence against proxy battles to gain control of the direction of the company.

Fair Price Clauses: Amendments to the company by-laws requiring a raider to pay the same price for all the shares. The concept of this manoeuvre is to prevent two-tier bids of the type which are very common in the U.S., in which the bidder buys part of the company for cash, but offers the rest of the shareholders a paper offer, which may not be so favourable, at a later date.

Shark Repellents: By-law amendments to make raiding more difficult by a number of means, such as supermajorities to approve a merger, changing the state of incorporation, and staggered directorships.

Share Buybacks: Immensely popular over the past 12 months, share buybacks are designed to increase the price of the shares by reducing the supply, while often making the company less attractive to a bidder by loading it up with debt taken on for the buyback.

Poison Pill: This device is meant to dilute the control position of the bidding company, thus "poisoning" its offer, even if it succeeds. Thus, for example, a target firm may declare a dividend in a convertible preferred stock to existing shareholders. If the hostile tender offer succeeds, the preferred becomes convertible into the voting stock of the surviving company, thus diluting its control position.

Several companies have installed a new sophisticated variety of the pill in a version which gives shareholders in the surviving company the right to buy shares in it at half the market price. Although regarded as an extremely strong deterrent, Sir James Goldsmith, the UK financier, has challenged its workings in a bid for control of Crown Zellerbach. The results of this manoeuvre are still not clear.

The Courts: Both defenders and aggressors use the courts vigorously to challenge their opponents' tactics, motives and probity. The biggest defensive victory was that of Unocal, the West Coast oil company, over Mr T. Boone Pickens, the most famous of the raiders, in which the court said that the company could use its "best business judgment" to defend itself, and could exclude Mr Pickens from a generous buyback offer because of his history as a greenmailer.

Both the Unocal decision and the new sophisticated poison pills are likely to slow down the predatory raiders. But even if they do, there are signs that the flood of bids in the last two years have pressed home to management that the best defence of all is performance and a share price to macth. This accounts for a wave of reorganisations, involving the sale of poorly performing divisions, the write-off of dud assets, and the drive to pep up results in many vulnerable companies.

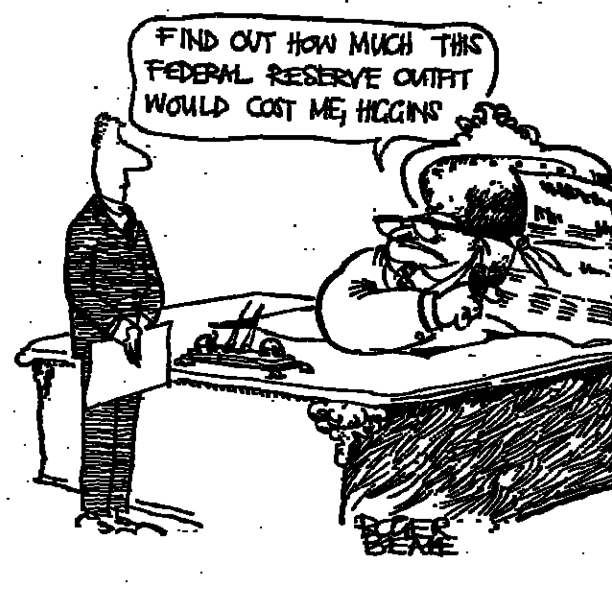
Biggest 1984/85 leverage buy-outs

Date	Company	Price $m	Status
April 1985	Union Texas Petroleum	1,700.0	Pending
April 1985	Storer Broadcasting	1,640.0	Pending
September 1984	Northwest Industries	1,400.0	Approved
October 1984	City Investing (3 divisions)	1,400.0	Completed
June 1984	Metromedia	1,130.0	Completed
April 1984	Wometco	977.0	Completed
December 1984	ARA Services	883.3	Completed
January 1985	Denny's	734.2	Completed
March 1984	Southwest Forest Industries	650.0	Completed
February 1984	Dr Pepper	648.0	Completed
January 1984	Dupont/Conoco Chemical Div.	600.0	Completed
January 1985	Red Lion Inns	600.0	Completed
August 1984	Malone and Hyde	580.0	Completed
September 1984	Harte-Hanks	575.9	Completed
November 1984	City Investing's Motel 6 Div.	565.0	Completed
October 1984	Diversifoods	525.0	Completed
November 1984	Blue Bell	469.0	Completed
July 1984	ACF Industries	469.0	Completed
November 1984	Scott and Fetzer	440.0	Pending
February 1984	Amstar	439.0	Completed
January 1984	Weirton Plant	386.0	Completed
May 1985	Easco	155.8	Pending
May 1985	Uniroyal	950.0	Pending
May 1985	Mary Kay	280.0	Pending

A higher profile adopted by predators

Raiders

WILLIAM HALL



THE number of corporate raiders on Wall Street appears to have mushroomed over the past year and a half, but most of them have been around for some time. The only difference is that they are more visible now. The following is a brief rundown on some of the more familiar names and their track record.

THE OLD HANDS

T. Boone Pickens, aged 57, was until recently the unchallenged king of the corporate raiders and had made close to $1bn through raids on a string of oil companies of which the most famous was Gulf Oil. His master company, Mesa Petroleum, has grown rapidly but is still a minnow among the U.S. oil majors, and over the past couple of years has begun to look more like an investment bank and less and less like an oil company. His reputation on Wall Street, where at one stage he seemed able to raise billions of dollars for raids on undervalued oil companies, has been damaged following his defeat in the recent battle for Unocal. This could cost him close to $100m and tie up his money for some time. He should not be underestimated, however.

Carl Lindner, aged 65, a secretive figure from Cinncinnati, Ohio, has a reputation as a shrewd investor and a dogged adversary who likes his privacy, which explains why he took his master company, American Financial, private in 1981. Helped finance T. Boone Pickens at a critical stage in the latter's battle for control of Gulf Oil last year and has substantial stakes in United Brands, Penn Central and Gannett Company. His latest coup was to rescue the failed Home State Savings Bank from under the nose of New York's Chemical Bank.

Victor Posner, aged 66, a Miami Beach financier who left school at 13 and is reputed to have become a millionaire before he was 21. Made his early money in Florida real estate before moving into the stock market and building a 40-company empire which was said to be worth upwards of $1bn at its peak. Several of his companies have been having financial problems lately which probably explains why he has been less active than normal on the takeover front.

Jay Pritzker, aged 63, until he came to rescue Braniff from bankruptcy last year, was best known for the takeover of the Hyatt Hotel chain in 1982. He is a member of a wealthy Chicago family which has a reputation for investing in undervalued companies in normally unglamourous industries and making a profit. His biggest investment is Marmon Holdings which is run by his brother, Robert A. Pritzker.

David Murdock, aged 61, is a Los Angeles financier who made his first fortune by building houses in Arizona. Tends to be more of a long-term investor than some of the others. Was the biggest shareholder in Occidental Petroleum before he fell out with the 86-year-old Dr Armand Hammer, who would not allow him to play as active a role in the company as he wanted. Occidental bought him out at a hefty premium last year. Since then has devoted himself to rescuing companies from other raiders such as Sir James Goldsmith and Irwin Jacobs. Likes to work with existing management. Currently masterminding the rescue of the troubled Castle and Cooke, a West Coast food and real estate group, which has been a frequent target for "greenmailers."

THE YOUNG TURKS

Saul Steinberg, aged 45, first hit the headlines with an astonishing bid for Chemical Bank, a pillar of the U.S. financial establishment, in 1969 and has retained a reputation for audacity. His Reliance Insurance Group is often used as a vehicle for taking stakes in other companies. Last year he made a $60m profit on a two-month-old investment in Walt Disney by selling the shares back to the company.

Carl Icahn, aged 48, has been dubbed "the man chief executive officers love to hate" and works out of a New York brokerage firm, Icahn and Co. First came to prominence in 1982 when he tried to take over Marshall Field, the big Chicago retailer. Made upwards of $80m through takeover raids on Phillips Petroleum and Uniroyal this year and is currently bidding for TWA, the fifth biggest U.S. airline, which is just as unhappy as most of Mr Icahn's other targets about his expressed interest.

Ivan Boesky, aged 48, a New York investor who is said to be one of the biggest and boldest arbitrageurs, who buy and sell shares during takeover raids. The sort of man Boone Pickens likes to have on his side, and is reputed to have made handsome profits during the recent merger wave in the U.S. oil industry. Said to sleep only three hours a night and be worth in excess of $150m.

Irwin Jacobs, aged 43, a Minneapolis-based financier, is known as "Irv the Liquidator" because of his ability to buy distressed merchandise and sell it at a profit. Has not been afraid to challenge household names like ITT and Walt Disney. His flagship, Minstar, was formed from the remnants of a bankrupt snowmobile and boat building operation and has been expanding rapidly through acquisitions. It has even attracted the attention of other raiders including Mr Icahn and Leucadia National Corporation, who have bought stakes.

SOME WELL KNOWN GANGS

The Bass Brothers, a Texas family which uses its oil fortune to ouy and sell stakes in dozens of U.S. companies. Over the past year they have taken stakes in companies ranging from Union Carbide to Georgia Pacific and Walt Disney, and are believed to have made unsuccessful bids for Conrail and Continental Illinois. Caused an uproar among big institutional investors by persuading Texaco to buy back their 12 per cent stake at a substantial premium. This textbook piece of "greenmail" made the brothers $400m. The family is said to be worth $4bn.

The Belzbergs. Sam Belzberg and his two brothers, Hyman and William, run in a somewhat smaller league and operate mainly under the umbrella of the Vancouver-based First City Financial Group. They first came to Wall Street's attention when they bid for the Bache Group, one of the best known Wall Street firms, and since then have frequently surfaced in contested bids. They backed Boone Pickens in his battle for Gulf and recently won control of Scovill, maker of Yale locks.

The Bronfmans. There are several arms of this Canadian family and by most accounts they do not always get on together. Edgar and Charles Bronfman run the Montreal-based Seagram, the world's biggest wine and spirit group, and have been active corporate raiders in the past, making takeover passes at Conoco, Du Pont and St Joe Minerals. They still own 22.5 per cent of Du Pont. Their cousins, Peter and Edward Bronfman, run Brascan a fast expanding Toronto-based investment company which has bought a 25 per cent stake in Scott Paper and let it be known that it would like a bigger holding.

Leucadia National Corporation. A publicity shy New Yark-based investment and insurance group which is run by Ian Cumming and Joseph Setinberg, both 1970 graduates of the Harvard Business School. Made a $40m profit by forcing Avoc into a merger with Textron.

FOREIGN INTERLOPERS

Sir James Goldsmith, the 52-year-old Anglo French financier, is a more familiar figure on Wall Street than the city of London these days. Has been specialising in hunting out undervalued situations in the depressed U.S. forest products business. Last year he made threatening noises in front of St Regis, one of the country's biggest paper companies, and the Continental Group, a major packaging group. Both took the hinf and sought friendly suitors leaving Sir James with a handsome profit. Currently concentrating on "enhancing the value" of his investment in Crown Zellerbach, a sleepy West Coast forest products company.

Mr Ruper Murdoch, the 54-year-old Australian publishing magnate has been mixing raids on Wall Street with the expansion of his U.S. communications empire. His first coup was St Regis which was forced to buy back his shares at a $37m profit. Bid unsuccessfully for Warner Communications but walked away with $50m in profits.

1984/85 mergers & acquisitions valued over $1bn

Date	Target	Bidder	Value	Status
June 1984	Gulf Oil	Chevron	13.231	Completed
February 1984	Getty Oil	Texaco	10.129	Completed
April 1985	American Hospital Supply	Hospital Corpn. of America	6.600	Approved
September 1984	Superior Oil	Mobil	5.697	Completed
April 1985	CBS	Turner Broadcasting	5.400	Pending
May 1985	Signal Companies	Allied Corporation	5.000	Pending
June 1985	Nabisco	R. J. Reynolds	4.900	Pending
March 1985	ABC	Capital Cities	3.500	Approved
August 1984	Esmark	Beatrice Companies	2.700	Completed
November 1984	Continental Group	Kiewit-Murdock Investment	[illegible]	[illegible]
October 1984	Electronic Data Systems	General Motors	2.555	Completed
March 1985	American Natural Resources	Coastal Corporation	2.400	Approved
May 1985	Houston Natural Gas	Internorth	2.300	Pending
May 1985	Metromedia TV	Murdoch/Davis	2.000	Pending
November 1984	St Regis	Champion International	1.828	Completed
February 1985	Allen-Bradley	Rockwell International	1.650	Completed
April 1984	CIT Financial (from RCA)	Manufacturers Hanover	1.510	Completed
January 1985	Avco	Textron	1.400	Completed
October 1984	Geyers Geothermal	Phillips Petroleum	1.300	Completed
August 1984	A. C. Nielsen	Dun and Bradstreet	1.282	Completed
November 1984	Rolm	IBM	1.280	Completed
December 1984	City Investing Subsidiaries	Pace Industries	1.251	Completed
February 1985	Stauffer Chemical	Chesebrough-Ponds	1.250	Pending
January 1984	Gulf United's Insce. Units	American General	1.226	Completed
November 1984	Jewel Companies	American Stores	1.185	Completed
July 1984	Employers Reinsurance	GE Financial Services	1.075	Completed
September 1984	Petrolane	Texas Eastern	1.026	Completed
April 1985	McGraw-Edison	Cooper Industries	1.000	Approved

An issue of controversy

Junk Bonds

WILLIAM HALL

FEW developments in the U.S. corporate finance world have caused as much controversy as the booming market in high yield securities, better known as "junk bonds."

"Junk bonds" have been around a long time. The term originated to describe the bonds of an established company which had lost their investment grade ratings from the U.S. credit agencies. In the case of Moody's, paper rated BA1 or lower is non-investment grade and in the case of Standard & Poor's it is BB plus or lower.

Many institutions are limited to investing in investment grade bonds, and if a company loses the investment grade rating on its paper, the number of investors who can buy its paper falls. Famous companies like Chrysler Corporation. Eastern Airlines or Montgomery Ward have all had paper which at one time or another slipped into the "junk bond" category.

For years this sector of the bond market was regarded as little better than a graveyard, but during the 1970s increasingly spohisticated investors discovered that despite the financial problems of the issuer, the default record on so-called "junk" was extraordinarily low. Few people had lost any money in "junk bonds" over the years and they had earned a substantially higher return than if they had invested in higher grade paper.

While "junk bonds" have a rather derogatory sound, it is a fact of corporate life that the paper of some 85 per cent of American companies would fall into this category if they were to issue new bonds because the financial requirements of the credit rating agencies are so high.

About ten years ago Drexel Burnham, a New York investment bank, began to issue bonds for those companies which could not attract investment grade ratings. Since then over 350 U.S. companies have raised over $36bn and expanded the total size of the "junk bond" market to around $100bn.

Drexel's initial expansion in this area did not draw criticism. After all the company was raising money for young and often fast growing companies which were not big enough to win the blessing of the credit rating agencies.

However, Drexel decided to branch out and begin issuing "junk bonds" to help companies that wanted to take themselves private by a form of leveraged buyout where shares are paid off with debt. One of the best examples was Metromedia which went private by issuing a large amount of "junk paper."

From there, it was just a short step to providing the financial muscle for the corporate raiders such as T. Boone Pickens, whose attack on Gulf Oil last year resulted in one of the biggest corporate upsets in recent times.

Over the past year the pace of new issues has taken off, as has the controversy. In 1979 less than $2bn of "junk bonds" were issued. Last year $15bn hit the street and a large portion of these bonds were brought to market by Drexel Burnham and used to finance an increasingly daring group of corporate raiders.

Drexel and other "junk bond" issuers have been quick to exploit the rapidly growing appetite for this kind of paper. U.S. savings banks, under pressure to improve their feeble profits, have leapt into the market and gobbled up close to $5bn of this risky paper, which makes savings bank regulators increasingly nervous.

Last year, Drexel accounted for over two thirds of the money raised in the "junk bond" market and its ability to raise billions of dollars quickly has appeared to make the firm the chief ally of the corporate raiders. Indeed, some companies blame Drexel Burnham more than the corporate raiders for their problems.

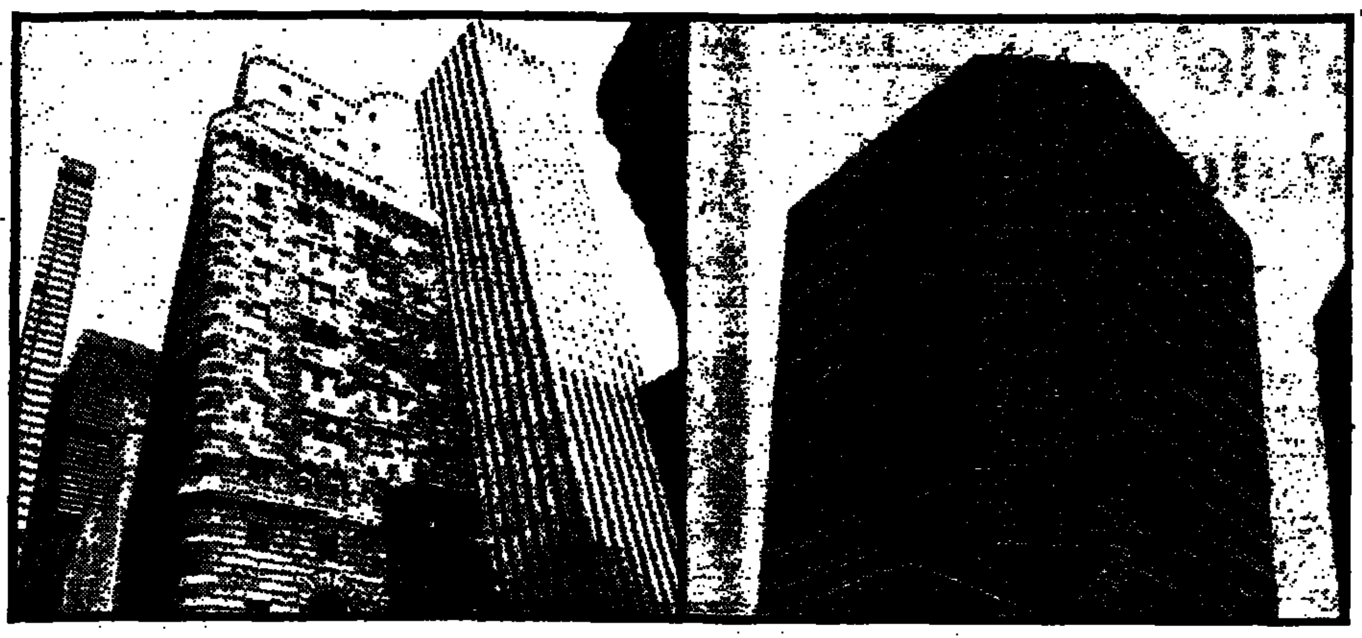
Drexel is sensitive to the criticism and has been arguing lately that investor appetite for the "junk paper" of corporate raiders has been largely satisfied.

From Hereon in, it will be more difficult to raise the same amount of money says Drexel.

The other imponderable is whether the default record of the new generation of "junk bond" issuers will be as good as the records of the "fallen angels" who had no choice but to grin and bare it when they fell into the sector.

U.S. FINANCE 8

Banking



New York Federal Reserve Bank (left). Bank of America's data centre in San Francisco (right)

The key unresolved question is whether the fragmented members of the U.S. banking community can bury their deep-seated divisions long enough for a concerted push against outdated and irrelevant laws, **reports Paul Taylor.**

Desperate need for reform

FOR U.S. bank depositors, shareholders and management alike the last 12 months has been like living on the fault line in an earthquake zone.

First came the near collapse of Continental Illinois, the nation's eighth-largest banking group bailed out with a $4.5bn Federal rescue package.

Even before the dust had settled on the Continental rescue, Financial Corporation of America, owner of the largest thrift in America, was in trouble. Charles Knapp, FCA's chairman was ousted and the California savings bank reported a $590.5m loss for 1984.

Then, as the big money centre banks' earnings and share prices rebounded, aided by declining interest rates, fat lending spreads and booming fee income, serious credit problems emerged among some of the regional Texas energy and Mid-West agricultural banks struggling with the underlying problems of their customers.

Since the start of this year, after a scandal involving some financial institutions unwittingly laundering Mafia money and many banks admitting that they had failed to report large international cash transfers, it has been the turn of the privately-insured savings banks to feel the heat.

The collapse of a small Florida-based Government bond dealer in March resulted in the closure of Home State Savings, Ohio's largest privately insured savings bank, and a run on the deposits at other privately insured institutions forcing Ohio's state governor to decalre the first extended bank holiday in the U.S. since the depression years.

A few weeks later Maryland's privately-insured thrifts were in trouble, after a run on deposits forced that state's governor to limit withdrawals and put several of the institutions up for sale.

Meanwhile, the attack on the historic barriers separating commercial from investment banking in the U.S., and on the geographic restrictions on bank activity has continued—adding to the upheaval generated by recent interest rate deregulation.

Smart bank lawyers exploit loopholes in existing rules, product innovation continues apace and a creeping trend towards interstate banking is increasingly evident, spurred by technological advance, state initiatives and cross-state-line banking rescues.

Across the U.S., states have banded together to allow limited interstate banking, a move which is seen as a stepping stone towards federally-sanctioned full interstate banking and a process which has won the backing of Federal Reserve Board (Fed) chairman, Mr Paul Volcker.

Other states, like Maryland and Ohio, have been forced to throw open the doors to interstate mergers because of problems among their own financial institutions.

The range of financial products offered by banks is also expanding. Many U.S. banks have found ways to offer insurance and discount brokerage services. Banks like Citicorp and Bankers Trust have pushed ever deeper into the traditional territory of the securities firms, acting as agents for commercial paper placements and providing a wide range of fee generating services to corporate clients. Many have acquired stakes in overseas securities firms, as markets like London have prepared for deregulation.

Turmoil within the U.S. banking sector has prompted ever more impassioned pleas for legislative reform from senior bankers—and federal regulators charged with the increasingly difficult task of monitoring and overseeing a changing industry.

But caution has also been urged. Under pressure from the regulators, banks have sharply increased their loan loss reserves, lifted their primary capital and begun to more closely monitor off-balance sheet risks.

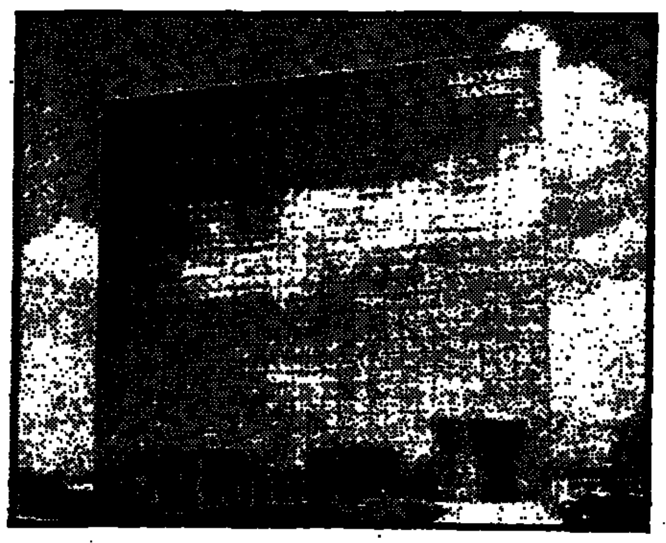
"The problems of the weak can undermine the prospects of the strong, especially during a period of transition," Mr Gerald Corrigan the recently appointed president of the New York Federal Reserve Bank, warned recently.

However while the growing pains and strains of an industry in the process of a major upheaval have prompted some calls to "set the regulatory clock back," most bankers and regulators believe such efforts would be both futile and counterproductive.

"Congress has an opportunity and an obligation to impose a new kind of order on our financial system, one which is fairer and in tune with the modern world," said Mr David Beim, Bankers Trust's executive vice president in charge of the New York-based banking group's fast expanding corporate finance department, in Congressional testimony last month. He added, "It is a waste of time to try and return to the 1930s, or to continue with outdated and irrelevant laws."

Most regulators appear to agree. Mr Corrigan in a major speech earlier this year said, "Our federal banking laws are in desperate need of reform and we need to get on with that task promptly."

The key unresolved issues are whether the fragmented members of the U.S. banking industry can bury their deep-seated divisions long enough to mount a concerted push for such action, and whether Congress will finally face up to the challenge to help shape the future of a vital sector of the U.S. economy—before competitive pressures and inventiveness make the issue a moot one anyway.



Lloyds Bank building in California

Interstate Banking

Regional, with reciprocity	
CONNECTICUT:	Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
FLORIDA:	Alabama, DC, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia
GEORGIA:	Alabama, Florida, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia
IDAHO:	Montana, Nevada, Oregon, Utah, Washington, Wyoming
INDIANA:	Kentucky, Illinois, Michigan, Ohio
KENTUCKY:	Illinois, Indiana, Missouri, Ohio, Tennessee, West Virginia, Virginia (national reciprocity after July 1986)
MARYLAND:	Delaware, DC, Virginia (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee after July 1987)
MASSACHUSETTS:	Connecticut, Maine, New Hampshire, Rhode Island, Vermont
NORTH CAROLINA:	Alabama, Arkansas, DC, Georgia, Florida, Kentucky, Louisiana, Maryland, Mississippi, South Carolina, Tennessee, Virginia, West Virginia
RHODE ISLAND:	Connecticut, Maine, Massachusetts, New Hampshire, Vermont (national reciprocity after July 1986)
SOUTH CAROLINA:	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Tennessee, Virginia, West Virginia, DC
VIRGINIA:	Alabama, Arkansas, DC, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia
UTAH:	Alaska, Arizona, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Washington, Wyoming
Regional, without reciprocity	
OREGON:	Alaska, Arizona, California, Hawaii, Idaho, Nevada, Utah, Washington
National, with reciprocity	
NEW YORK	
WASHINGTON	
National, without reciprocity	
ALASKA	
ARIZONA	
MAINE	
MARYLAND:	Out-of-state companies that have operated a limited-service bank in Maryland for at least six months can apply for permission to expand into full-service operations. To qualify the company must agree to invest $25m in facilities in designated high unemployment areas and hire 1,000 workers within three years

Performance still patchy

Banks
PAUL TAYLOR

SOLID FOURTH-quarter earnings—backed by a perky first quarter — have given U.S. bankers, and shareholders, something to cheer about at last.

Bank stocks on Wall Street have bounced back from the lows they reached in the dark days immediately following the near collapse of Continental Illinois last year.

Indeed, in recent months most money centre bank stocks have continued to outperform the S & P 500 Index—indicating a remarkable resurgence of investor confidence following a traumatic period which saw the U.S. majors suffer the twin impact of troubled credits at home and abroad, particularly among the less developed debtor nations.

But this broad picture hides some more disturbing details reflected in a still patchy industry performance last year. Some 79 commercial banks failed, a record number of agricultural lenders are currently on the regulator's "problem list" and while the immediate pressures of the Third World debt crisis have eased, few senior bankers are bold enough to suggest they have disappeared for good.

While most big banks have benefited from improved net interest margins, an expanding asset base and buoyant non-interest income, some of the regional banks have suffered as a result of new concerns about credit quality.

The much improved fourth quarter results saved most banks from posting 1984 full year earnings declines. The profits picture was considerably more uneven than the 1.5 per cent increase in 1984 net earnings or 20 per cent average increase in first-quarter profits among the 15 major banks actually implies.

In 1984 the profit highlights included 17 per cent year-on-year gains at Bankers Trust and J. P. Morgan, two of the most consistently profitable banking groups in the big league. But these gains were offset by Continental Illinois's $1.1bn loss and a $324.4m loss at Crocker Bank, the troubled west coast banking subsidiary of Midland Bank of the UK.

The year was also characterised by a flood of special gains such as bank headquarter building sales which many banks, like Security Pacific, used to offset substantially higher loan loss provisions. The higher provisions, which continued in the first quarter of this year, reflected a more aggressive writing-off of troubled loans and additions to reserves.

The need for increased reserves reflects not only the continuing high levels of non-performing loans — which appear to have stabilised at last in the first quarter this year — but also pressure from the regulators to increase capital ratios. Among the 15 largest U.S. banks this key measure of "bank safety" has risen from an average of 5.72 per cent a year ago to 6.13 per cent at the end of the first quarter of this year.

In the meantime, competitive pressures in the U.S. banking industry continue to grow — forcing bankers to adopt new, and sometimes more risky, strategies. As Mr Gerald Corrigan, the president of the New York Federal Reserve Bank, noted last month: "Intense competition, by its very nature, encourages innovation. That is something we should welcome. But, in banking and finance, the process of innovation must be tempered by generous elements of caution and prudence."

Top U.S. bank holding company results, ranked by assets ($m.)

	1984 net income	% change on year	1984 provision for loan losses	1984 charge-off	Loan loss reserve at 3/31/85	As % of total loans	Non-performing loans at 3/31/85	As % of total loans	Primary capital ratio
Citicorp	890.0	+ 3.0	619.0	507.0	952.0	0.92	2,200.0	2.2	5.92
BankAmerica	346.0	−12.0	861.0	907.0	997.0	1.20	3,546.0	4.2	5.99
Chase Manhattan	406.0	− 5.6	365.0	215.0	779.0	1.29	2,400.0	3.9	6.53
Manufacturers Hanover	352.5	+ 4.6	394.8	259.2	660.2	1.15	1,840.0	3.2	5.95
J. P. Morgan	537.6	+16.9	150.0	46.0	598.0	1.69	870.0	2.46	7.09
Chemical New York	340.8	+11.5	165.2	113.5	456.4	1.20	1,261.0	3.38	6.52
Bankers Trust	306.8	+17.0	230.0	130.9	381.6	1.59	731.0	3.0	6.18
First Interstate	276.3	+11.7	228.8	215.0	396.1	1.32	1,145.0†	3.81	6.16
Security Pacific	291.0	+10.1	387.7	210.0	520.2	1.57	1,189.0	3.8	6.42
First Chicago	86.4	−53.0	464.8	45.2	306.4	1.20	768.0	3.0	6.19
Mellon Bank	158.5	−13.8	116.7	59.1	307.0	1.56	587.3	2.99	6.92
Continental Illinois	−1,100.0	n.m.	801.0	796.0	385.0	1.66	937.0	4.0	7.43
Wells Fargo	169.3	+ 9.3	194.6	133.3	335.9	1.43	716.7	3.1	6.80
First Bank System	131.1	+ 1.0	135.4	80.9	190.9	1.45	472.5†	2.02	6.27
Bank of Boston	164.1	+21.0	180.0	80.0	247.4	1.66	474.0	3.2	6.90
Crocker National	−324.4	n.m.	526.7	469.5	299.0	1.93	1,007.0	6.5	6.39
Marine Midland	106.5	+ 5.3	129.4	83.0	219.0	1.47	526.0	3.57	6.99
Republicbank	137.3	+ 6.0	130.5	79.8	200.0	1.39	495.0	3.4	6.20
Interfirst	117.0	n.m.	173.2	217.8	289.0	1.87	797.0†	5.11	6.74
Mcorp	107.7	+ 7.3	118.0	26.9	173.0	1.26	473.0	3.02	6.18

† Non-performing assets.

LEFT: Mr Willard Butcher, chairman of Chase Manhattan. RIGHT: Sacked chairman of Financial Corporation of America, Mr Charles Knapp

Hoping to muddle through

Thrifts

WILLIAM HALL

THERE is an old joke that the most important thing to remember for a U.S. savings banker was the 3-6-3 rule. It was the key to success in the industry.

Take the money in at 3 per cent, lend it out at 6 per cent, and be on the golf course by 3 pm. If only life was as easy now.

The sweeping deregulation of controls on the interest rates U.S. savings banks can pay and the types of business they can do, has come at one of the toughest times in their history. It is not only the new competition, resulting from deregulation, which is hurting them.

Deflationary pressures are putting stress on house prices and historically high real interest rates are making it difficult for a growing number of borrowers to meet obligations.

Any one of the above would be a major problem in its own right for the industry, whose 4,000 plus institutions control over $1,000bn in deposits. But coming together at a time when many of the players have still not recovered from the financial traumas of the late 1970s, it has the makings of a very serious financial crisis.

The recent run on the small privately insured savings banks in Ohio and then Maryland has demonstrated the fragility of some depositors' confidence in their neighbourhood savings banks.

And while officials have stressed that the cause of the sweeping loss of confidence has to do with the fact that the deposits were privately insured, unlike the vast majority of deposits which carry federal insurance, they must be shocked with the speed with which customers withdrew their money.

The television pictures of the long lines of depositors locked out of their banks has sent a chill through the minds of many small depositors who felt that one savings bank was as good as another.

At the federal level there is an uneasy calm. Last year's loss at Financial Corporation of America (FCA), parent of the biggest U.S. savings bank, forced the authorities to step in and sack Mr Charlie Knapp and his henchmen who had overseen the group's meteoric rise from a $1bn institution to a $32bn institution in just six years.

FCA is being kept afloat with federal help as are the big savings banks in New York city, and plenty more around the country, particularly in the south-east. Most depositors understand that their deposits are safe in the federally insured institutions.

But they would not be happy if they were to learn that their deposits might be temporarily frozen as has happened to several hundred thousand depositors in savings banks in Ohio and Maryland.

If such a fear were ever to take hold, the authorities would face tremendous difficulties stopping nervous depositors from switching their funds to "safer" commercial banks, where they could always be assured of immediate access to their money.

When Home State Savings in Ohio finally re-opens for business later this month, its depositors will have been locked out for three months. It's a lesson which will not have been lost on other small depositors.

The authorities have been working overtime to play down the problems in the U.S. savings bank industry. Mr Edward Gray, chairman of the Federal Home Loan Bank Board (FHLB) and the industry's main regulator, says that the 3150 federally insured savings and loan associations will make more money in 1985 than they did in the last four years together.

Mr William B. O'Connell, president of the U.S. League of Savings Institutions, is equally bullish and says that for ihs flock 1985 will be a record year.

Others are less sanguine about the industry's prospects. Mr Willard Butcher, chairman of Chase Manhattan, put the cat among the pigeons recently when he told members of the U.S. Business Council that "We've got billions of dollars of assets in the thrift industry with inadequate capital under it and my guess is that the banking industry will be called on to help avert a crisis.

Mr Anthony Frank, chairman of the San Rrancisco-based First Nationwide and a former chairman of the Federal Home Loan Bank of San Francisco, is one of the more hawkish members of his own industry.

"We have been sweeping bad news under the rug for so long that there are even people in and out of Government who think the problem is solved," says Mr Frank. As he sees it, "the problems are getting worse not better. You cannot bring a non viable institution back to life whatever the interest arte scenario."

Not everyone is as pessimistic as Mr Frank and share his view that the Government will have to step in, just like it did with Continental Illinois, and arrange a massive ballout.

Nevertheless, there is growing concern about the slim and declining resources of the Federal Savings and Loan Insurance Corporation (FSLIC) which provides insurance coverage for customer deposits.

At the end of last year FSLIC had $5.9bn in the kitty. The collapse of even a small savings and loan can cost the fund dearly. The failure of San Marino Savings in California and Empire Savings in Texas will probably cost FSLIC close to $500m and both these institutions are small beer compared with some of the endangered species being nursed along by the federal regulators.

Some 71 savings banks with assets of over $11bn are said to be on the critical list and another 800 institutions with assets of around $300bn are also on the problem list. Regulators are well aware that the longer they delay, the more costly a rescue can become.

Last year's Continental Illinois rescue was a good example of how expensive it can become if officials drag their feet. By the time Continental was rescued any would-be purchasers had lost interest and the rescue package was far more costly than people first envisaged.

The same is the case with many of the problems banks in the savings bank industry. Would-be rescuers are only going to come in and take the institutions off the hands of the federal authorities if they are promised substantial official help.

However, there is not much America's savings bank regulators can do to ease their current plight except to pray for further falls in U.S. interest rates and hope they can muddle through.

A contrarily bullish market

Insurance

TERRY DODSWORTH

FIRST quarter results from the U.S. casualty and property insurance sector were nothing to write home about. Earnings were still enormously patchy, revealing no real trend to recovery, and remaining highly dependent on non-recurring extraordinary gains.

Yet Wall Street has not been discouraged: analysts believe that the turn in the underwriting cycle has arrived, and they have accordingly propelled some composite stocks to all-time highs.

The reasons for this contrarily bullish mood start first with prices. The savage discounting war which has raged off and on since the late 1970s now appears to be over. Reports from the industry are sprinkled with references to rate increases pushed through late last year or early in 1985. Rises as high as 20 to 40 per cent are commonplace, and many companies are talking about another price rise round in the pipeline.

Pricing changes have been propelled by the shock of enormous write-offs in two of the industry's leading companies—the Hartford and Fireman's Fund—which would have seemed even more serious if they were not protected by the financial muscle of their parent organisations, ITT and American Express respectively.

Responding to this undeniable evidence of the shaky finances in the industry, the leading companies have at last been willing to forego the chase for volume at any price. The retreat in some sectors of the insurance market has been very marked indeed.

Several big groups have virtually pulled out of the reinsurance business, and are taking an extremely tough line on difficult lines like medical malpractice. Indeed, their determination to put prices back at a reasonable level in the medical area is forcing some physicians to leave high cost areas like New York.

The tightening up process on prices has also been helped by the decline in the supply of available insurance. While there have been no major corporate failures, many smaller companies have found themselves in serious trouble.

Last year, a record 15 property and casualty concerns sank into insolvency. Some of the "captive" insurance companies run by big industrial companies for their own insurance needs have been cut back, and several foreign groups have also trimmed their activities severely.

The impact of these supply reductions could be quite dramatic, Mr Daniel McNamara, president of the Insurance Services Office, said recently that shortages of insurance writing capacity may well turn out to be "severe even under very reasonable assumptions." The industry could be unable to take on $62bn of potentially available business over the next three years, he added, although it is notable that a number of large insurance groups have been raising capital recently to gear up for this future demand.

A further structural change has come in the management and organisation of several of the big companies. New senior managers have been blooded in a surprising number of very large companies, including Aetna, Travelers, Crum and Forster and Fireman's Fund.

How much of an impact they will make still remains to be seen, but this shake-up at the top marks a striking change from the ingrown managerial traditions of an industry which had become bureaucratised by years of heavy regulation.

Similarly, there has been something of a shake-out lower down in several of the property and casualty companies, as managements have tried to establish a tighter grip on costs. Continental Corporation, the U.S.'s fifth largest publicly-owned composite group, purged a quarter of its agents—1,750 people—last year. At Fireman's Fund, the property and casualty workforce was reduced by 10 per cent, or 1,300 people.

The effects of these changes in the environment, however, are not expected to be felt significantly by the industry until the end of 1985, when the new, higher rates begin to counterbalance the hugely unprofitable business written in previous years.

In the meantime, many of the big composite groups ran up even heavier losses on their property and casualty business in the first quarter than last year. Several, indeed, would have been in the red without the support of three factors.

First, several managed to generate healthy profits from the rest of their business, particularly life insurance. Although their life activities are typically much smaller than property and casualty, it is an area where they have been expanding, and where returns have been buoyant in recent years.

Second, investment income has continued to provide a strong support to profits. Although interest rates fell somewhat in the first quarter in the U.S., the stock market was buoyant, and companies enjoyed strong cash flow to provide funds for investment. The reduction in business stemming from the cutbacks on unprofitable lines was more than balanced in cash flow terms by the increase in prices on lines which were retained.

Third, no major calamity reared its head in the first quarter to hit the industry with big payouts. In the past three years it has gone through a particularly severe patch of weather-related disasters, but in the first three months of 1985 the only significant problem was a series of severe storms in the Mid West.

If the industry can get through the year in similar disaster-free style, the Wall Street bulls will have one further reason for optimism.

U.S. insurance companies 1984 earnings ($m.)

	1984 revenue	1983 revenue	% change on year	1984 net income	1983 net income	% change on year	1984 per share	1983 per share
Aetna Life & Casualty	15,411.0	14,410.6	+ 7.0	127.7	349.5	−64.0	1.04	3.31
Gigna	14,775.3	12,563.8	+17.6	102.7	535.0	−80.8	0.99	7.03
The Travelers Corp.	13,500.0	12,000.0	+12.5	373.1	312.4	+19.4	4.43	3.72
American General	5,362.0	3,953.4	+35.6	458.2	317.5	+44.3	3.27	3.33
Continental Corp.	4,600.0	4,000.0	−15.6	304.5*	142.4	+113.8	1.93*	0.19
American Interntnl. Grp.	4,281.0	4,012.1	+ 6.7	301.6	412.1	−26.8	4.06	5.56
American Express†	4,025.0	3,784.0	+ 6.0	43.0	30.0	+42.0	n.a.	n.a.
CNA Financial	3,738.8	3,284.3	+13.8	141.0	169.8	−17.0	2.45	3.34
USF & G	2,839.4	2,386.9	+19.0	93.3	171.5	−45.6	1.59	3.02
St Paul Companies	2,359.1	2,077.4	+13.6	(210.9)‡	136.0‡	n.a.	(10.25)‡	6.46‡
Chubb Corp.	2,053.6	1,761.3	+15.5	83.0	79.7	+ 4.1	4.26	4.30
Safeco	1,942.2	1,702.2	+14.1	121.0	140.0	−13.6	3.25	3.74
General Re	1,842.4	1,658.8	+11.1	156.3	189.4	−17.5	3.47	4.20
Kemper Corp.	1,789.4	1,842.3	− 2.9	48.4	99.6	−51.4	3.36	6.82
Colonial Penn Group	1,255.7	1,241.4	+ 1.2	51.2	45.0	+13.9	3.16	2.78
Ohio Casualty	1,011.3	946.0	+ 6.9	30.3	51.5	−41.2	2.53	4.85
Geico Corp	995.0	872.7	+14.0	131.3	133.8	+15.4	6.68	5.38

* Figures for 1984 include a one-time forgiveness of $1.9m ($0.08 per share) in deferred taxes on life insurance reserves provided by 1984 tax reform act. † Insurance services. ‡ Figures for 1984 and 1983 include a loss from discontinued operations of $18m ($0.90 per share) and a gain of $10.4m (0.49 per share) respectively.

Strong dollar little deterrent to invasion

Overseas Holdings

PAUL TAYLOR

LURED BY the promise of America's huge markets, foreign corporate investors have shrugged-off the dollar's strength to join the mergers and acquisitions boom in the U.S. Last year foreign takeovers of U.S. companies soared to near record levels with the UK corporations leading the way.

According to figures recently released by W. T. Grimm, the research organisation which has tracked U.S. mergers and acquisition activity for over 30 years, foreign buyers acquired 151 U.S. companies in 1984, up from 125 in the previous year. (Grimm's figures are based on deals worth more than $500,000).

The cash value of these takeovers increased even more sharply, from $5.9bn in 1983 to $15.1bn last year, a startling jump reflecting both the strength of the U.S. currency, together with a handful of multi-billion dollar deals.

Among the big deals which captured the headlines Royal Dutch Shell paid $5.7bn for the 30.5 per cent of Shell Oil it did not already own, Nestlé joined the merger boom in the food industry by paying almost $3bn for Carnation and most recently West Germany's BASF group paid $1bn for United Technologies' Inmont subsidiary.

Excluding these mega-deals the sharpest increase in foreign takeover activity in the U.S. came from British companies which recorded 49 takeovers last year worth $2.8bn compared to 42 in 1983 worth $1.1bn. Among these ICI's $750m acquisition of Beatrice's chemicals division ranked as the largest followed by Hanson Trust's $531m acquisition of U.S. Industries.

Mr Rupert Murdoch: Daring expansion plans in U.S.

Measured in numerical terms, Canadian companies with 36 acquisitions came second in the Grimm league table followed by France and Switzerland with seven each.

Grimm's explanation for the surge in foreign takeover activity in the U.S. against the background of a strong dollar is simple. The research firm argues that foreign corporate investors are willing to pay a premium for the improved access to the U.S. markets that a U.S. manufacturing base affords and that this drive has been strengthened by the relative buoyancy of the U.S. domestic economy.

ICI's acquisition of the Beatrice units fits this mould. In one swoop the deal boosted ICI's annual sales in the U.S. by about a third to $2bn while fitting into the UK group's strategy to reduce its dependence on low-margin bulk chemical production and the British marketplace.

ICI's deal also highlighted several other aspects of the foreign takeover boom. It provided access to U.S. advanced technology and materials—particularly composites through Beatrice's fiberite composite materials unit—and it took advantage of an American company's own restructuring plans.

In other important respects the ICI deal, like BASF's acquisition of the Inmont specialised industrial manufacturing group, also bucked the trend. While foreign companies have shown continued interest in U.S. basic manufacturing industry, much of the merger activity has been concentrated in the booming food, consumer products, retail and distribution sectors.

Distillers' acquisition of Somerset Importers, Grand Metropolitan's acquisition of Quality Care and Whitbread's acquisition of Buckingham Corp illustrate this dimension. Similarly Mr Rupert Murdoch's acquisition of a 50 per cent stake in 20th Century Fox, which he has since used as a springboard for a daring planned expansion into the U.S. television industry, demonstrates the magnetism that the U.S. service sector exerts over foreign investors.

The U.S. financial services industry has also continued to attract investment. Nevertheless, as Grimm suggests, overseas corporate investors have become somewhat more discerning about their U.S. acquisitions after a string of mistakes in the late 1970s and early 1980s, some of which, like Midland Bank's ill-fated acquisition of Crocker National, the West Coast banking group, the foreign parents are still learning to live with.

They also appear to have become more price conscious. According to the Grimm figures foreign corporate investors paid on average about 17.8 times after-tax earnings for their U.S. targets, only slightly more than U.S. average of 17.2 times earnings.

In contrast in 1979, when foreign takeovers hit the peak of 236, overseas companies were paying an average of 20.9 times earnings while their U.S. counterparts were paying just 14.3 times for their own acquisitions.

The implication is that foreign corporate investors, while seizing the opportunity to expand their U.S. operations, have become both older and wiser.

Major foreign takeovers of U.S. companies 1984/85

Target	Bidder	Country	Price $m	Date
Shell Oil	Royal Dutch/Shell	Netherlands	5,670.0	May 1984
Carnation	Nestle	Switzerland	2,890.0	September 1984
GE's Utah International	Broken Hill Proprietary	Australia	2,400.0	October 1984
UTC's Inmont Corporation	BASF	W. Germany	1,000.0	May 1985
Beatrice Chemical Division	ICI	UK	750.0	December 1984
Harris Bancorp	Bank of Montreal	Canada	546.7	September 1984
U.S. Industries	Hanson Trust	UK	531.0	May 1984
Fuji Bank	Walter E. Heller International	Japan	425.0	January 1984
Martin Marietta Aluminium Div.	Comalco	Australia	400.0	October 1984
Occidental's Geothermal Oprtns.	Santa Fe Industries	Kuwait	350.0	November 1984
Peoples Drug Stores	Imasco	Canada	320.0	February 1984
National Intergroup Steel (50%)	Nippon Kokan	Japan	292.0	April 1984
Bancal Tri-state	Mitsubishi Bank	Japan	282.0	February 1984
Somerset Imperters of NY	Distillers Company	UK	250.0	April 1984
Crocker National (additnl. 43%)	Midland Bank	UK	224.0	January 1985
Martin Marietta's Master Builders	Sandoz	Switzerland	190.0	April 1985
Amdahl (additional 19.5%)	Fujitsu	Japan	190.0	March 1984
Flickinger	Haniel Franz	W. Germany	174.0	May 1984
TCF Holdings	News Corporation	Australia	162.0	March 1985
Quality Care	Grand Metropolitan	UK	142.0	August 1984
Buckingham Corporation	Whitbread	UK	110.0	October 1984
Royster	Superfos	Denmark	110.0	September 1984
Indiana Insurance	Nationale-Nederlanden	Netherlands	105.0	March 1985
Allis Chalmers' Agric. Equipment	Klockner-Humboldt-Deutz	W. Germany	100.0	March 1985

Net purchases of foreign stocks by U.S. investors in 1984 ($m)

	First quarter	Second quarter	Third quarter	Fourth quarter
Europe	(54)	101	337	538
France	41	24	34	28
Netherlands	(153)	(42)	82	58
Switzerland	15	(5)	46	19
UK	43	90	99	325
Canada	(130)	(17)	44	(85)
Asia	(235)	(267)	246	252
Japan	(193)	(230)	(50)	142
Other	65	177	102	10
All countries	(354)	(6)	729	715

Net purchases of U.S. Equities in 1984 ($m)

	First quarter	Second quarter	Third quarter	Fourth quarter
Europe	311	(390)	(1,731)	(983)
Belgium-Luxembourg	20	0	(40)	(42)
France	(173)	134	(140)	(137)
Germany	361	(81)	(227)	(104)
Netherlands	32	(137)	(131)	(92)
Switzerland	186	(250)	(1,014)	(413)
UK	(130)	(138)	(139)	(148)
Canada	708	170	477	331
Latin America and Caribbean	181	144	165	8
Bermuda	144	4	45	(110)
Netherlands Antilles	23	153	131	160
Asia	(582)	(430)	(743)	(592)
Hong Kong	(80)	(69)	(258)	(133)
Japan	39	1	(37)	(105)
"Other Asia"	(604)	(441)	(477)	(477)
Total all countries	555	(473)	(1,564)	(1,223)

Overseas companies eager to invest

Greenfield Projects

TERRY DODSWORTH

THE SIGHT is a familiar one throughout the U.S. on the perimeter of a medium-sized town, set amidst woods or rolling farmlands, is a handsome new industrial estate. The buildings are generally moderately sized, capable of taking around 500 workers, spacious inside and surrounded by greenery. Nothing could be further from the satanic mills of yesteryear.

These are typically the surroundings where many of the more recent foreign investments in the U.S. are to be found. GKN, the UK components company, for example, has a factory on an estate in North Carolina. TDK, the Japanese audio tape manufacturer, has a similar plant outside Atlanta, Georgia, in the heart of the Deep South and Samsung, the South Korean consumer electronics group, has just opened a model facility of its kind in the undulating foothills of the Appalachians in western New Jersey.

Greenfield investment by overseas companies has continued strongly in the U.S. through the beginning of the 1980s, despite the costs in a period of great dollar strength.

Indeed, far from the currency being a deterrent, some economists have suggested that its strength is partly explained by the eagerness of foreigners to invest in the U.S. economy. This enthusiasm comes from a number of factors—the booming market, fear of import restrictions and the desire to place investments in a "secure" political environment, among others.

The new companies tend to gravitate towards the non-industrialised South partly because of financial incentives made available by the states, but also to avoid the high wage rates, traditional trade unionism and bitter worker-management relationship in the older industrial areas.

The most significant phenomenon of the 1980s has undoubtedly been the decision of the leading Japanese car companies to invest directly in the U.S. after 20 years of steadily rising exports from their home base.

All of these projects, which include plants set up by Honda, Nissan, Toyota, and planned ventures by Mazda and Mitsubishi, have called for investments of over $250m—often well over. In terms of size and value there have been few foreign greenfield developments in the past to equal them.

Toyota MR2. The most significant phenomenon of the 1980s has been the decision by Japanese car companies to invest directly in the U.S.

They are, however, only the more notable examples of the investment tide flowing into the U.S. from across the Pacific. In a less dramatic fashion, they are mirrored by a myriad of smaller companies, some clustering around the car assemblers, but many others in different industries.

Most notably, these include the Japanese consumer electronics groups which now dominate the U.S. market. Most of these have deliberately established brand new factories in areas where they feel they can more easily put their own imprint on manufacturing methods and working relationships with employees. They see this as a necessary part of an investment the success of which is partly reliant on developing the same quality standards as they achieve in Japan.

More recently, the Japanese have been followed by other South East Asian electronic companies with similar electronics assembly operations.

Sampo, the television company from Taiwan, for example, has established a plant in Georgia, and two South Korean concerns, Goldstar and Samsung, have set up greenfield projects within the last two years. They are all following the Japanese strategy of trying to gear up from a base in low-price products to more sophisticated equipment manufacturing.

According to the latest estimates, the total size of direct foreign investment in the U.S. now amounts to around $130bn, against only $14bn in 1973. It is impossible to say how much of this is in greenfield projects, but with this kind of money at stake, it is inevitable that there is fierce competition between the states to attract the investment dollars.

Tennessee claims to have been the most successful in attracting foreigners, but a small township called Spartanburg in South Carolina contends that it leads the nation in per capita foreign investment. It says it has netted investments worth a total of $1bn in some 60 foreign firms from 12 countries, employing 7,000 people.

The names of its new companies include Rieter Machine Works of Switzerland, Hoechst Fibers and Bode of West Germany, Michelin Tire of France, and Graf Metallic from Switzerland.

It has achieved all this, it says, by thorough training programmes, an intense effort to integrate foreigners, utility costs of roughly 60 per cent less than in New York, cheap land, and top class office space at between $11 and $13 per sq ft.

In addition, it has no inventory taxes on manufactured goods, a five-year moratorium on some property taxes, little unionisation, and a state-supported system of technical education centres.